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**The EU's Policy Development towards  
ASEAN from 2001 to 2009: Engaging with  
Their Dynamic Relationship**

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## **Abstract**

The existing analyses in the literature of inter-regionalism focus on a macro perspective when they look at the relationship between inter-regional ties and global governance. They have not explored the European Union's (EU) policy development toward the Association of South-East Asia Nations (ASEAN) in detail which affects the EU and ASEAN relationship. They have overlooked explanations and current empirical evidence regarding that relationship.

This thesis analyses internal factors within the EU and external factors from ASEAN and outside of the EU which influence EU policies toward ASEAN. The internal factors are the relevant actors within the various institutional arrangements of the EU policy and the promotion of interests of the EU and those of its member states and to some extent of common EU values. The modes of engagement between the EU and ASEAN, the level of integration within ASEAN and the pressures and opportunities from ASEAN and outside the EU are the external factors. Then, this thesis assesses how, when and to what extent these factors influence the EU's policy developments toward ASEAN and have implications for the inter-regional relationship between the two regions. I examine three EU policies toward ASEAN from 2001 to 2009: 1) a new partnership with South-East Asia, 2) the joint EU-ASEAN monitoring mission in Aceh, and 3) an ASEAN-EU Free Trade Agreement (FTA). This thesis is based on a qualitative method of analysis and is part of problem-driven research. It employs inductive theory building from case studies as the research strategy and documents and interviews as methods of data collection.

This thesis presents the variation in importance within factors which influence the EU's policy development toward ASEAN. It highlights different kinds of interactions between factors which shape the success or failure of the EU's policy development. The co-operative relationship between these factors is needed to conclude agreement between the two regions. However, the conflicting relationship between these factors can lead to the failure to reach agreement between them.

With regard to internal factors, this thesis demonstrates that a shared common position between relevant and other related actors within each of the various institutional arrangements in the EU may assist in the conclusion of an agreement between the two regions. As EU interests takes precedence over values, the likelihood of achieving an agreement increases.

With regard to external factors, this thesis argues that consultation and monitoring mechanisms have been used by the EU as its modes of engagement (as opposed to a negotiation) and they affect its policy development and enable it to reach an agreement with ASEAN. The conclusion of an agreement between the two regions can be easily achieved, when the level of integration within ASEAN remains static or weak. However, when the level of integration within ASEAN is stronger, the EU would be less likely to achieve its expected agreements with ASEAN. The conclusion of an agreement between the EU and ASEAN can be achieved when they can resolve these external pressures and take advantage of external opportunities.

The trends in and implications for the EU and ASEAN relationship are as follows: first, the more the EU applies a balanced treatment of internal and external factors, then the more it will support the EU's policy development and that will positively influence the EU and ASEAN relationship. Second, their relationship has been shifted from a hierarchical ex-colonial dynamic to a mutually interdependent partnership.

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## **Declaration**

I hereby declare that, except where otherwise indicated, this thesis is entirely my own work and that no part of it has been submitted for any other degree or qualification.

## Abbreviations

ABC	ASEAN Brussels Committee
ACP	African, Caribbean and Pacific Group of States
AEC	ASEAN Economic Community
AFTA	ASEAN Free Trade Area
AMM	Aceh Monitoring Mission
APEC	Asia-Pacific Economic Cooperation
APRIS	ASEAN Programme for Regional Integration Support
APSC	ASEAN Political and Security Community
ARA	Aceh Reintegration Agency
ARISE	ASEAN Regional Integration Support by the EU
ARF	ASEAN Regional Forum
ASCC	ASEAN Socio-Cultural Community
ASEAN	Association of South-East Asia Nations
ASEM	Asia-Europe Meeting
CAP	Common Agricultural Policy
CEPT	Common Effective Preferential Tariff
CFSP	Common Foreign and Security Policy
CGE	Computative General Equilibrium
CMI	Crisis Management Initiatives
CoHA	Cessation of Hostilities Agreement
COREPER	Committee of Permanent Representative
COSA	Commission of Security Arrangement
DDA	Doha Development Agenda
EAS	East Asia Summit
EBA	Everything But Arms
EFTA	European Free Trade Association
EIA	Enterprise for ASEAN Initiatives
EU	European Union
EMERALD	Equilibrium Model with an Economic Regional Analysis Dimension
EPA	Economic Partnership Agreement
ESDP	European Security and Defence Policy
FAM	Free Aceh Movement
FDI	Foreign Direct Investment
FEALAC	Far East-Latin America Cooperation
FTA	Free Trade Agreement
FTAA	Free Trade Area of the America
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GoI	Government of Indonesia
GSP	Generalized System of Preferences
IAI	Initiative for ASEAN Integration
ICTSD	International Centre for Trade and Sustainable Development
IMP	Initial Monitoring Presence
IPRs	Intellectual Property Rights
IR	International Relations

MDF	Multi Donor Fund
MFA	Multi-Fibre Agreement
MFN	Most Favoured Nations
MoU	Memorandum of Understanding
NAFTA	North American Free Trade Agreement
NGO	Non-Governmental Organisation
NLD	National League for Democracy
PCA	Partnership and Cooperation Agreement
PSC	Political and Security Committee
PTA	Preferential Trade Agreement
READI	Regional EU and ASEAN Dialogue Instrument
RRM	Rapid Reaction Mechanism
SLORC	State Law and Order Restoration Council
SPDC	State Peace and Development Council
TAC	Treaty of Amity and Cooperation
TAM	Technical Assessment Mission
TEC	Treaty establishing the European Community
TIFA	Trade and Investment Framework Agreement
TPP	Trans-Pacific Partnership Agreement
TREATI	Trans-Regional EU and ASEAN Trade Initiative
TRIPs	Trade-Related aspects of Intellectual Property Rights
UK	United Kingdom
UN	United Nations
UNICE	Union of Industrial and Employer's Confederations of Europe
VAP	Vientiane Action Programme
WTO	World Trade Organization

## CHAPTER 1

### INTRODUCTION

#### 1.1. Introduction

The current International Relations (IR) debates focus on discovering which international cooperation models may be appropriate in a multi-polar and fragmented world (Desai and Vreeland, 2010:1). Most world leaders, policy makers, IR scholars and other stakeholders tended to focus on a stagnancy of multilateral frameworks for international cooperation (World Economic Forum, 2010:1). However, despite the fact that they attempted to search for a new model of international cooperation, they did not take into consideration the potential of inter-regionalism as an alternative option. It received very little attention from those who were talking about inter-regional cooperation.

The main reasons as to why inter-regional cooperation may assist in solving static international cooperation, based on multilateral frameworks, are as follows. Firstly, inter-regional cooperation covers many areas of cooperation (e.g. political, economic and socio-cultural) and involves various actors (e.g. nation states, civil societies and business communities). Secondly, it could be a complementary framework to the multilateral frameworks of international cooperation because it would not undermine them (Santander and Ponjaert, 2009:285). Thirdly, it could strengthen the global governance system because it could connect regions in adapting to changes in the global order.

The EU has played a significant role in the sphere of international politics. The EU's role covers several important issues in global affairs such as humanitarian action; trade; aid; environmental politics; human rights; and democratic issues. The EU is known for its multi-lateral approach and use of civilian power as a major instrument in its external relations (Longo, 2010:73-74). It uses non-military instruments and the European Security Strategy (Council of the EU, 2003a:1) to pursue its international aims and to implement its external policies (Smith, 2003:15).

European countries have a long tradition of supporting regionalism within the EU.<sup>1</sup> Based on regional cooperation, the EU's policy is to foster cooperation with

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<sup>1</sup> The EU was known previously as the European Community/EC. In this thesis, I use the EC when referring to the EU before 1992.

other partners. The European Commission (1995:ii-iii) released its perspective that the EU supported developing countries to create regional groups because, in the context of trade liberalization and capital flows, regional integration was a means to integrate them into the global economy. The EU implemented an inter-regionalism framework as a result of its valuable experience of the regionalization and integration process. It has used this framework to build its relationship with ASEAN.

The EU and ASEAN<sup>2</sup> agreed to formalize their relationship through European Economic Community–ASEAN Joint Declaration which was signed on 7 March 1980 in Kuala Lumpur, Malaysia (ASEAN Secretariat, 1980). Their relationship resulted in the development of cooperation between two different regions. On the one hand, the EU became established as a strong and cohesive regional group. On the other hand, ASEAN continues to develop busily its own regional integration (Cameron, 2010:1-2).

This thesis' subject is the assessment of those factors which explain the EU's policy toward ASEAN. I provide three individual cases, each of which serves to indicate those relevant factors in influencing the formulation of the EU's policy toward ASEAN. The policies are: the European Commission's communication 'New Partnership with South-East Asia'; the EU's policy in respect to monitoring the implementation of a peace agreement in Aceh; and the attempt to create an ASEAN and EU free trade agreement (FTA). I explore, in the following pages, the main reasons for choosing these policies. The lessons of the EU's policy development towards ASEAN may contribute to the development of the study of inter-regionalism in other regions.

Potentially, the relationship benefits both parties. On the one hand, from the EU's perspective, the EU-ASEAN relationship is a long connection between two regional groups. However, for years, their relationship has not been a priority of the EU's external policy because of the geographical distance and the different political and economic agendas between both parties. In the last decade, the emerging role and developing economic situation of South-East Asia has attracted the EU's attention. ASEAN countries are a potential source of natural resources and raw materials for the EU's needs. ASEAN offers potential economic benefits such as a

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<sup>2</sup> See maps of these organizations in Appendix 1.

strategic location and a huge market for EU trade expansion into Asia. The size of the ASEAN population is 583 million people (in 2008) with middle-income economies<sup>3</sup>. ASEAN is home to cheap skilled labourers and a strategic location for European investors. All Gross Domestic Product (GDP) per capita of ASEAN countries (USD 960 in 1998) and average rate of ASEAN's economic growth (-7 % in 1998) have increased significantly post the Asian financial crisis. ASEAN has a growing GDP per capita (USD 2,582 in 2008) and an increased rate of economic growth (4.4 % in 2008).<sup>4</sup> The EU member states and the EU itself have sought a way to improving market access and expanding the EU's foreign investment in ASEAN. Therefore, the EU wants to pay more attention and improve its relationship with ASEAN.

On the other hand, from the ASEAN perspective, the EU and ASEAN relationship can improve trade in goods, services and investment activities between these two regions and, also, consolidate its development process especially in fostering the integration of ASEAN. The EU is an essential trading partner for ASEAN. The total population of the EU is 495 million people (in 2008) (Eurostat, 2008:1) with high income and strong buying-power (ASEAN-EU Vision Group, 2006:3). ASEAN sees EU investors as an important source of foreign capital.

This chapter is divided into five sections. The next section consists of research interests; the research question; and the aims of this thesis. The third section of this chapter is the provisional conceptual framework. The fourth section is the research methodology; the case study design; and the data collection methods used in this thesis. The last section is the structure of the thesis.

## **1.2. Research Question, Interests and Aims**

The research question was: **What explains the EU's policy development toward ASEAN?**

The study is divided into two parts: empirical and theoretical arguments. This study's empirical argument aimed to highlight and understand EU policy developments towards ASEAN and the implications for their relationship because

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<sup>3</sup> The World Bank (2010:1) categorized countries whose GNP per capita ranged from USD 756 to USD 9,265.

<sup>4</sup> See Appendixes 2, 3 and 4.

they had received international attention as progressive regional co-operations. In the last decade, rapid development, in many aspects of cooperation between regions, made inter-regionalism one of the most important topics of debate in global affairs. In the context of their regional institutional development and regional integration, the EU and ASEAN are examples of the most advanced and medium-sized regional organizations. The EU represents a block of developed countries and ASEAN represents a block of progressively developing countries. On a region to region basis, the EU and ASEAN relationship is the EU's most enduring formal cooperation. However, for a long time, the EU-Asia and the EU-ASEAN ties could be described as dependent colonial-master relationships (Godement, 2008:41). Previously, the EU placed more emphasis on internal factors and paid less attention to external factors in developing its policy towards ASEAN. Between 2001 and 2009, there were insufficient empirical studies of EU policy development towards ASEAN. These are the rationale as to why my research question was so important and interesting and needed to be analyzed further.

The theoretical argument is that there is a need to develop theoretical approaches to understand inter-regionalism. The study of inter-regionalism is an underdeveloped aspect of IR. According to Robinson and Warleigh-Lack (2011:267), there was a need for further examination of the EU's external relations, especially inter-regionalism, in order to understand the outcome of inter-regionalism. The study of the EU's policy development towards ASEAN may help to explain factors which are relevant to the study of inter-regionalism, generally, and to understanding the EU and ASEAN relationship in particular. This thesis' analysis was developed in response to the need to examine the factors which influenced the EU's policy towards ASEAN.

This study had two aims which were: firstly, to generate findings which could contribute to the study of inter-regionalism which other scholars could use to develop their hypotheses and use as reference for the study of other regions. It was part of problem-driven research (Shapiro, 2005:180) in that I identified, understood and explained problems in cases within the EU's policy development towards ASEAN which affected the relationship between the EU and ASEAN. Then, since there was a lack of comprehensive theory in this field, it sought to assist the process of theory-

building in inter-regionalism and to find the best ways of explaining the above mentioned problems (Ibid, p.186-187). This detailed study focused on what, how and, to what extent, internal and external factors influenced the EU's policy development towards ASEAN. It allowed me to examine the dynamic interactions between these factors and to explain their correlations, which might determine the results of EU policies and have an impact on the inter-regional cooperation between the two regions. Secondly, this study would provide policy recommendations which could be considered and used by government officials; parliamentarians; non-governmental organisations (NGOs); and other stakeholders from both regions.

### **1.3. The Provisional Conceptual Framework**

In order to answer the above research question, I outlined the provisional conceptual framework. The framework was called 'provisional' because, initially, it would be employed to explain the EU's policies towards ASEAN in in-depth cases but would be revised later after all cases were finalized. It consisted of causal factors which could be a comprehensive blueprint in analyzing the development of the EU's policy towards ASEAN.

I argue that, with respect to ASEAN, the development of the EU's policy development is a complex matter and is not easy to describe by looking simply at the internal factors involved in the EU's policy-making process. We do not assess only the internal factors within the EU in order to understand and explain the development of the EU's policy towards ASEAN; it is, also, important to take into consideration the external factors in order to understand the process of the development of the EU's policy towards ASEAN. This is primarily because the internal and external factors are interrelated. In the context of inter-regionalism, these factors can provide us with a comprehensive understanding of the relationship between the EU and ASEAN.

In order to conceptualize the relationship between the EU and ASEAN, I offer a framework which, by breaking the framework down into five relevant factors, considers the dynamics affecting the EU's policies in respect of ASEAN. I identified and selected these factors because they represented the important determinants of internal and external aspects which explained the development of the EU's policy towards ASEAN. This framework came from an inductive analysis of my research



which was based on upon empirical data and the literature on IR. In the light of my research, I considered this to be a provisional framework and would apply it through the examination of individual case studies. This would lead to an understanding of the strengths and weaknesses of the framework. My study showed that these five factors were important to the development of the EU's policy towards ASEAN.

These factors, which, often, are overlooked in the inter-regional literature, can be divided into internal and external factors. The internal factors come from inside of the EU, as follows: firstly, the relevant actors involved in the development of the EU's policies regarding ASEAN. In order to develop the EU's policies toward ASEAN, it is crucial to understand what, how and, to what extent, actors interact within the various institutional arrangements. Secondly, the promotion of interests or values is driving the EU to formulate its policy towards ASEAN. This factor examines the rationales behind the EU's policies towards ASEAN and how they are connected with interests and values or a combination of both.

Furthermore, there are three external factors which come from outside the EU, as follows: firstly, the changing interaction process between the EU and ASEAN through consultation, monitoring and negotiation. Secondly, the level of integration within ASEAN has evolved and developed in terms of institutions and time. This has influenced the interaction between both regions. Finally, the external pressures and opportunities have affected the EU's policy toward ASEAN. These pressures and opportunities are divided into two elements such as the geo-political situation and the external political economy element. Because of the importance of the provisional conceptual framework, Chapter 3 provides a detail discussion.

#### **1.4. Research Methodology, Case Study Design and Data Collection**

This research was based on a qualitative method of analysis. A detailed primary reason for choosing a qualitative method was because it could provide a holistic explanation of factors which explained the EU's policy towards ASEAN. A qualitative method helped me to understand more comprehensively the main reasons which explained the EU's policy towards ASEAN. The qualitative research covered various analytical approaches which focused on the interviewees' views and arguments. In a comprehensive way, it elaborated on particular regions and activities (King *et al*, 1994:4). The qualitative research studied the motivations and the

connections between factors (Hakim, 2000:36). It was appropriate for me to use qualitative methods to analyze the EU member states' political and economic interests; the EU itself, and ASEAN because the outcomes consisted of substantial in depth information.

I used case studies as my research method because I needed an exploratory and explanatory framework to investigate the relationship between the EU and ASEAN (Yin, 2009:8). In investigating a social problem, the case study approach could be employed to provide an explanation which might deal with the complexity and subtlety of concrete situations (Denscombe, 2008:38). Lijphart (1971:691) argued that "case studies can make an important contribution to the establishment of general propositions and thus to theory-building in political science". By designing a case study research, I was able to use more than one method of data collection which helped to provide a more comprehensive understanding of my research topic. I used explanation building as an analytic technique to assist me in interpreting my findings. Yin (2009:141) argued that the objective of explanation building "is to analyse the case study data by building an explanation about the case".

My research strategy was based partly on building the inductive theory building from cases. Eisenhardt (Eisenhardt and Graebner, 2007:25) argued that, "Building theory from case studies is a research strategy that involves using one or more cases to create theoretical constructs, propositions and/or midrange theory from case-based, empirical evidence". The main objective was to use cases as the foundations which could be employed to build theory inductively. Building the inductive theory, from cases which had rich empirical data (Ibid) and allowed me to develop theory and to establish a framework based on the process or structure of experiences, as demonstrated in the data (Thomas, 2006:238). An inductive approach could develop and strengthen a theory of inter-regionalism because it could produce accurate, interesting and testable arguments (Eisenhardt and Graebner, 2007:25).

This study was part of a hypothesis-generating (behaviour patterns) approach. Lijphart (1971:692) argued that: "Hypothesis-generating case studies start out with a more or less vague notion of possible hypotheses and attempt to formulate definite hypotheses to be tested subsequently among a larger number of cases. Their objective is to develop theoretical generalizations in areas where no theory exists

yet". This study aimed to contribute to the development of theoretical foundations in inter-regionalism since there was a lack of conceivable existing theory offering a comprehensive explanation and answer to this topic. My justification for developing a conceptual framework rested on the lack of a unified theory; the importance of the development of the EU's policy in the study of inter-regionalism; and insufficient empirical evidence explaining the contemporary relationship between the EU and ASEAN.

The strengths of a case study design are that the analysis is holistic (Descombe, 2008:45) and efficient in terms of time and budget. In this thesis, I used an embedded case study design. It had subunits which expanded opportunities for a comprehensive analysis of the single case study. However, the weakness of a case study design is that the case may shift from the first position to a different position. This situation would arise, if I focused more on the subunits and started to neglect the holistic aspects of the case. In order to overcome this weakness, the design of the case study needed to minimize misrepresentation and to balance the analysis between the case's holistic aspects and its subunits (Yin, 2009:52).

I chose the relationship between the EU and ASEAN because it was particularly suitable in demonstrating and broadening relationships between two regions. I selected cases which represented diversity of policy areas and different institutional arrangements. The variation of these policies provided me with opportunities for extensive and deep analysis of the relevant factors and their interactions. This situation persuaded me to illustrate the patterns in the development of the EU's policy toward ASEAN and to explain the implications of these patterns to the relationship between the EU and ASEAN. These cases represented sub-units of analysis within their inter-regional cooperation. Yin (2009:50) suggested that it should be called an embedded case study design. These EU policies were as follows:

1. A new partnership with South-East Asia aimed to improve political, security and economic cooperation between the two regions through the promotion of commerce and foreign capital; support for regional integration; and the preservation of regional stability.
2. Together with five ASEAN countries, the EU supported a mission to Aceh, Indonesia for a peace agreement between the Government of Indonesia (GoI) and

the Free Aceh Movement (FAM). This case focused on cooperation between the EU and ASEAN in relation to Indonesia. It differed from both a new partnership with South-East Asia and an ASEAN-EU Free Trade Agreement (FTA). The reason for the difference was because it was a form of cooperation, especially in connection with Indonesian affairs, between the EU and ASEAN on political and security issues in the South-East Asia region. The other cases were forms of cooperation, especially on the matter of EU and ASEAN affairs, between both parties on political, economic and development issues in the region.

3. The EU attempted to create, through a FTA, another policy to improve the EU and ASEAN's economic relationship. The EU and ASEAN halted their FTA talks after two years of negotiations.

These cases were appropriate because of several following reasons: firstly, all cases represented formal cooperation between the EU and the South-East Asia region. ASEAN and its member countries represented the South-East Asia region. Secondly, they were examples of EU policy outcomes toward ASEAN affecting not only trade and the economy but, also, the EU-ASEAN relationship on political and security matters. For example, an EU-ASEAN FTA was the EU's first attempt to create a comprehensive economic agreement with ASEAN. The Aceh Monitoring Mission (AMM) was the EU's first engagement with ASEAN in their joint civilian mission in South-East Asia. Thirdly, all cases occurred in the period from 2001 to 2009 on which I focused my study. Fourthly, the development of EU policies toward ASEAN would be seen to be based on the success of concluding an inter-regional agreement with ASEAN. All cases represented successful and unsuccessful outcomes in the development of the EU's policy towards ASEAN. Fifthly, these were reflected in the 2001 EU's comprehensive strategy towards Asia which aimed, for instance, to develop its inter-regional cooperation with ASEAN, one of its key partners in Asia's sub-region. Sixthly, the cases covered internal and external factors influencing EU policy development towards ASEAN. For example, in all cases, these included various actors involved; the promotion of EU interests and values; modes of engagement between the EU and its partners; the level of integration within the external partners; and the external pressures/opportunities affecting EU policy development.

I used two types of data collection which were documents and in depth interviews. Qualitatively, I collected and used, systematically, data from documents taken from primary and secondary sources. The primary data sources were joint declarations and agreements between the EU and ASEAN; the European Commission's communication papers; the Council's and Commission's official documents; the Joint Co-Chairmen's Statements of EU-ASEAN Ministerial Meetings; the Official Journal of the European Communities; the progress and evaluation reports of the European Parliament; Europe and Europolitics daily journals about the EU; ASEAN Series of Documents; and ASEAN Annual Reports.

I collected all the documents released by the EU institutions and ASEAN. The majority of documents could be accessed from the Law and Europa Library (the University of Edinburgh); the National Library of Scotland; the ASEAN Secretariat Library; the European Commission's Central Library; the European Commission's Historical Archives Service; and the EU Council's Library and Central Archives Department. I visited all the above places in order to read and collect documents. I received official documents by e-mail from my EU and ASEAN contacts and, also, downloaded and read documents through the EU and ASEAN's websites (<http://ec.europa.eu/>, <http://www.consilium.europa.eu/> and <http://www.aseansec.org>). In addition, I visited websites and offices of business communities and NGOs which focused on the EU-ASEAN affairs and collected documents.

My secondary sources were academic books, newspapers and magazines. For internet-based sources, I accessed and read electronic journals such as *the Journal of Contemporary European Research*, *European Journal of International Relations*, *Journal of Common Market Studies*, *Journal of European Integration*, *Journal of European Public Policy*, *Asian Security*, *Contemporary Southeast Asia*, *Academy of Management Review* and *The American Political Science Review*. I downloaded and read the e-magazines and e-newsletters from related websites, such as Bilaterals Online (<http://www.bilaterals.org>) and Europe's Forum on International Cooperation (<http://www.euforic.org/>). In all documents, I focussed on the most relevant information (Yin, 2009:1055) related to case studies and examined them based on their authenticity; credibility/accuracy; and representativeness (Burnhams et al, 2004:185).

I carried out interviews with representatives of EU institutions; representatives of the EU member states; the business community; and NGOs both in the EU and ASEAN. Interviews gave me crucial insights into such cases since my interviewees were involved in the development of these policies or knew of the situations at that time (Yin, 2009:108). They assisted, also, me to gather and cross-check information which I could not obtain from documents. On the EU side, the research interviews focused on key EU institutions in Brussels, Jakarta and other cities in Europe and South-East Asia. I did a series of interviews with:

- European Commission officials (the Directorates General for External Relations and Trade);
- Council of the EU officials;
- Representatives of the EU member states in the EU Headquarters;
- Representatives of the European Parliament;
- Representatives of NGOs and the business community;
- Representatives of the EU Delegations in South-East Asia; and
- Representatives of the EU member states for ASEAN.

From the ASEAN side, I interviewed representatives of the ASEAN Secretariat; representatives of ASEAN countries; an ASEAN parliamentarian; and the representatives of non-state actors in South-East Asia. Appendixes 5 and 6 are my research notes and a list of the interviewees.

For the data analysis, I grouped the data from documents and interviews, based on case studies and chronologically in order to consider the developments in the EU's policies towards ASEAN. I attempted to identify information from documents and quotations from interviews in order to make links between the findings and the case studies. With regard to the document data, I classified archival documents based on case studies. These documents were divided into the EU side and the ASEAN side in order to group them into specific areas. Based on the internal and external factors, I coded the documents' findings and used them to cross-check the results from the interviews to avoid bias. With regard to the interview data, I identified my data based on the interviewees' institutions and saved all interviews to Winamp media files. I listened to the results of all the recordings to understand the arguments and the respondents' impressions. I transcribed all interviews into a Microsoft word version

and saved all arguments and impressions in separate folders. I used relevant arguments for my analysis and all impressions constituted the complementary data. Based on related institutions, I identified data, coded and retrieved it.

I consolidated all findings from the documents and the results of interviews based on case studies. I included these findings in each of the case studies. Then, I developed descriptive and explanatory analyses to examine the internal and external factors which influenced the development of the EU's policy towards ASEAN. Afterwards, I visited each of the case studies to establish whether or not the findings matched with these internal and external factors and to obtain explanations of their dynamic interactions in the EU's policy developments. I drew analytical inferences from the case studies and, from all case studies, compared and synthesized all findings in order to generate patterns of behaviour. Other scholars could use these behaviour patterns to further both the EU's external relations with other regions and inter-regionalism research.

I verified my data by implementing triangulation of data, for example, document analysis and interviews. Denzin (1978:340) argued that researchers could use triangulation of data to solidify their research and cover complete aspects of their topic. I worked with my supervisors and PhD colleagues at the University of Edinburgh to examine my data. Throughout the data analysis process, I minimized my bias by verifying data through combining and cross-checking documents and interviews with secondary sources.

This study's time frame was from 2001 to 2009. The following were the three primary reasons why I selected this period: firstly, there were crucial disagreements between the EU and ASEAN with regard to both human rights violations in East Timor and Myanmar; and the acceptance of Myanmar as a member of ASEAN in 1997. East Timor was a former colony of Portugal which Indonesia had occupied since 1975. Additionally, the EU disagreed with Myanmar's accession to ASEAN because of human rights violations and the military dictatorship (Europe, 1997a:8). Between 1997 and 2000, the EU and ASEAN suspended their dialogue. They recommenced their talks in December 2000 (Europe, 2000a:9) and agreed to improve their engagement compared to the previous era. In 2003, the EU entered into a new partnership with South-East Asia. The EU and ASEAN achieved two joint

declarations in 2007.<sup>5</sup> These agreements demonstrated that, in the last decade, the EU had strengthened its cooperation with ASEAN.

Secondly, there were a number of internal and external developments for ASEAN such as the realization of the ASEAN Community as a foundation for ASEAN's regional integration; the ratification of the ASEAN Charter; and ASEAN's emerging role in an East Asia Summit (EAS). These developments attracted the EU to develop its inter-regional cooperation with ASEAN. Thirdly, in November 2009, the EU member states adopted the Lisbon Treaty. I selected 2009 as the end point for the time frame because, in order to make the EU a more coherent organization, this treaty reformed the EU's governing institutions.

### **1.5. Thesis Structure**

This thesis is divided into seven chapters. Chapter 2 highlights the literature review of inter-regionalism. It explains the evolution, trend and study of inter-regionalism; the application of inter-regionalism in the relationship between the EU and ASEAN and critiques the existing works on inter-regionalism regarding the EU and ASEAN. The existing inter-regional literature lacked a unifying logic and was largely a-theoretical.

Chapter 3 elaborates my provisional conceptual framework which was used to analyze all selected case studies within this thesis. It gives the definition of each factor which was chosen to explain the EU's policy towards ASEAN. This chapter elaborates the relevance and logic of each factor in inter-regionalism.

Chapter 4 highlights a New Partnership with South-East Asia as the first case of the EU's policy in respect to ASEAN. I explain the development process of this EU policy which is analysed using five relevant factors.

Chapter 5 explains the EU-ASEAN cooperation on the AMM to monitor the implementation of a peace agreement between GoI and FAM. This policy is analysed in order to gain a comprehensive explanation of the EU's institutions and member states concerning political and security issues in South-East Asia. I employed the provisional conceptual framework to examine and explain the making of this EU policy.

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<sup>5</sup> The Nuremberg Declaration on an EU-ASEAN Enhanced Partnership and the Joint Declaration at the ASEAN-EU Commemorative Summit.



Chapter 6 explains the establishment of an ASEAN-EU FTA. I assessed the EU's external policy to ASEAN in terms of developing the new economic initiative for trade and investments between both parties with the objective of building a FTA between these regions. I analyzed this policy development based on relevant factors which affected the policy outcome.

Chapter 7 focuses on the main findings of factors and their syntheses which led to the behaviour patterns explaining the EU's policy toward ASEAN. It provides the general trends and the implications for inter-regionalism between the EU and ASEAN. It explains the theoretical contributions and policy implications which could be drawn from the conceptual framework of the development of the EU's policy towards ASEAN and the relationship between the EU and ASEAN. Other scholars can use my findings and behaviour patterns as their conceptual frameworks to explain other inter-regional relationships, and so that they can understand comprehensively how region to region relationships developed over time. Policy makers might use this study's policy recommendations to strengthen the relationship between the EU and ASEAN.

## **CHAPTER 2**

### **LITERATURE REVIEW: INTER-REGIONALISM**

#### **2.1. Introduction**

In the literature on globalization, there were links between politics and economics at the domestic, regional and global levels. The global system comprised various actors, regulations and agendas in its political, economic and socio-cultural spheres. McGrew (2008:24-25) argued that this situation created a complex global governance because of the emergence, during these decades, of international organizations, regional institutions and non-state actors who participated and were involved in global and domestic affairs. There was increased international cooperation between these actors.

Amongst IR scholars, both in the literature and professions, there was a major debate about the international cooperation. The IR scholars contributed a great deal to the literature regarding international cooperation. However, there was very little discussion about why regions interacted with each other in such relationships and how they cooperated with one another. Because the majority of the IR scholars' discussions focused on cooperation amongst nation-states; international organizations; non-state actors; and amongst all these actors together in the global system (Keohane and Nye 2001:20-32), there was little discussion amongst them in considering inter-regionalism as a sub division of international cooperation. A major argument was that inter-regionalism added to the knowledge of international cooperation discussed in the literature. Therefore, inter-regionalism continued to leave open an area of study which IR scholars could explore and develop.

This chapter aims to review the existing literature on inter-regionalism. It identified a gap in the literature namely that most scholars focused on macroscopic inter- and trans-regional interactions between regions and failed to provide in depth analysis of policy developments in one regional organization towards another regional organization. This had implications for their inter-regional ties. This chapter is divided into four parts. Following the introduction, the second part explains the evolution, trend and study of inter-regionalism. The third part assesses the application of inter-regionalism in the EU and ASEAN relationship. I analyse the criticism of the existing works on inter-regionalism especially concerning the ties

between the EU and ASEAN. Lastly, the conclusion summarizes Chapter 2's key findings.

## **2.2. The Evolution, Trend and Study of Inter-regionalism**

The progress of regionalism began in the 1950s when the main western European states created the European Coal and Steel Community in order to build trust and co-operation after the Second World War. The emergence of the European regionalism process was followed in other regions which built, also, new regional organizations. This phenomenon was known as old regionalism. Nye (1968: vii) defined an international region as a relationship between a number of states because, in a similar region, there was a mutual inter-dependence amongst them. International regionalism might be said to be an arrangement of inter-state groups based on region. Most new independent states used regional organizations as a means to struggle for their independence and, in the international arena, to protect their sovereignty from major powerful states (Acharya 2002:21-22).

From the 1960s to the 1980s, most regional integration arrangements were the result of political and security and, to some extent, economic alliances. These regionalism processes were driven mainly by nation-states such as the Organization of American States; the League of Arab States; the Organization of African Unity; the Organization for Security and Co-operation in Europe; the Central American Common Market; ASEAN; the Andean Community; and the Economic Community of West African States. Fawcett and Hurrell (1995:1-6) and Gamble and Payne (1996:1-2) argued that regionalism was an arrangement in which processes worked together in the context of political, military, security and economic aspects in the particular region. I argue that regionalism is an arrangement of regional integration amongst countries in the specific region in order to respond mainly to political and security competition and economic obstacles originating in the Cold War era.

Between the 1980s and 1990s, the EC established its relationship with other regional organizations. For commercial and developmental purposes, the EC started its relationship with few regions such as the African, Caribbean and Pacific (ACP) States and ASEAN. Their relationship was limited in scope and level of cooperation. However, in the late 1980s, the EC's emphasis was not to focus mainly on its

regional cooperation. The EC paid more attention to the matter of its own deeper regional integration. The European integration process achieved political and economic union as signed by the EU member states in the 1992 Maastricht Treaty.

The end of the Cold War led to an increase in the number of regional projects around the world. These regional projects expanded their activities, the number of actors, issues and needs both within and outside regions. The success of the EU regional integration fostered other regions to create new economic integration initiatives. The ASEAN Free Trade Area (AFTA), the North American Free Trade Agreement (NAFTA) and the South Asian Preferential Trade Agreement were concrete examples of economic regionalism. These regional projects were classified as the new regionalism. Hettne (1999:1-24) argued that the new regionalism was a process of regionalization comprising many actors, issues and institutions. The new regionalism covered multidimensional issues such as democracy, trade and investment. It involved various actors (governments and non-state actors) and institutions (regional organizations and forums) at local, national and regional levels. Therefore, new forms of inter-regionalism emerged because of the extension of the new regionalism. Inter-regionalism was a turning point in the study of the new regionalism (Olivet, 2005:9). After regions improved their status as actors in the system of global governance, inter-regionalism began to emerge and separate from the new regionalism. There was a need for regions to build their external relationships with other regions in order to extend and increase their co-operation.

The worldwide trend of inter-regionalism grew because regions needed to establish and increase their own relationships amongst themselves. From the middle of the 1990s to the present day, there were many developments happening within the context of the EU relationships with other regions and other inter-regional arrangements beyond the EU. In the 2000s, the inter-regional arrangements were proliferating, also, outside the EU's inter-regionalism. Beyond that of the EU, the recent development in inter-regionalism was the activity occurring between the Asian and Latin American regions. However, beyond the EU and compared to the EU's inter-regionalism with other regions, many inter-regional arrangements remained young in terms of age, variation of issues and level of interaction.

Recently, compared to the inter-regionalism in the 1980s, the nature and depth of inter-regionalism expanded and increased in the context of the variety of forms in the relationship; its scope of cooperation; and its participating actors. These forms of inter-regional relationship could be seen as bilateral inter-regionalism and trans-regionalism. The following paragraphs provide a detailed discussion about the classification of inter-regional ties. The majority of these recent arrangements focused on economic and political relationships. Most areas of inter-regional cooperation were deepening and expanding in order to cover various issues such as commerce, investment, development, peace and security. The participating actors were nation states; non-state actors; and regional organizations. For example, some of the most widely recognized inter-regional ties and trans-regional ties are those of the EU and ASEAN relationship; the EU and Mercosur relationship; the ASEAN and Andean Community relationship; the ASEAN and Mercosur relationship; Asia-Europe Meeting (ASEM); Asia-Pacific Economic Cooperation (APEC); the Far East-Latin America Cooperation (FEALAC); and The Trans-Pacific Partnership Agreement (TPP).

Therefore, in international cooperation, the study of inter-regionalism is a broad based area of research. In the context of IR, inter-regionalism is a developing field of study in the system of governance. The study of inter-regionalism continues to be an evolving concept which describes and explains the relationship between a region and other regions. The majority of inter-regionalism studies were inspired by the trilateral relationship of three global economic actors, the EU, the USA and Japan representing Western Europe, North America and East Asia (known as the Triad regions). Rüland (2002c:1) and Hänggi (1999:56-80) explained that the concept of the Triad was related to the three capitalist actors which dominated the world economy over the past decades. There were a number of reasons such as the end of the Cold War; the emergence of the new regionalism; and the emergence of East Asia as a region for potential economic development which, in the 1990s, led to the development of close inter-regional ties between the Triad regions. Many discussions on inter-regional ties in areas of policy and inter-regionalism issues were inspired and overshadowed by the relationship between the Triad regions.

There were a small number of IR scholars who were interested in inter-regionalism. The study of inter-regionalism was an underdeveloped aspect of the global governance system. Söderbaum (2011:224-234) argued that, in IR, inter-regionalism was a poorly analyzed phenomenon and that there was no consensus amongst scholars as to its definition. The recent developments showed that some scholars created various definitions of inter-regionalism. Roloff (2006:19) explained that the definition of inter-regionalism was an interaction between international regions in the area of political, economic and societal issues. It was linked to the processes of globalization and regionalization faced by nation states. They responded to these processes by consolidating regionalism and developing inter-regional co-operation. We might regard the inter-regionalism process as driven by states which were influenced by global conditions. These encouraged them to strengthen and foster their own regionalism in order to respond to inter-regionalism.

Rüland (2000a:3-4) defined inter-regionalism as a region to region dialogue with low or high level meetings for the purpose of information exchange and cooperation in particular areas such as trade and investment; the environment; and combating transnational crime. Inter-regionalism was based on a low level of institutionalization on which both regions relied for their institutional infrastructure. Hänggi (2005:31-62) added that inter-regionalism was based on major actors developing their relationships with other regions and entailed two forms of foreign relationships with a third state and other regional groups. Gilson (2005:309-310) and Söderbaum (2011:224) argued that the definition of inter-regionalism was the inter-connection of a region with another region. Gilson (2005:309) explained that inter-regionalism gathered resources from two regional entities recognized by global dynamics. Aggarwal and Fogarty (2004:208) argued that, due to the process of globalism and regionalism, inter-regionalism was a combined result of market forces and political consequences. It might support multilateralism in managing the world economy. Around the globe, it could develop, also, institutionalized economic governance among countries or regions.

From the various above mentioned definitions, I argue that, based on mutual interest in multiple areas of co-operation, inter-regionalism is a framework for international cooperation between two regions. More specifically, inter-regionalism

is the result of one region's external policy toward another region or a third country through interacting and understanding between them based on mutual interest and consent in order to achieve an effective relationship. These regions share common interests, collective advantages and a better understanding between themselves. The primary objective of this action is to find a common denominator in many aspects of cooperation (political, economic and socio-cultural aspects) amongst them.

The empirical evidence was that, through inter-regionalism in the era of globalization, the EU improved its relationships with other regional organizations. By this means, the EU tried to find common denominators and to create mutual advantages with its external partners, for example in the EU and ASEAN relationship and in the EU and Mercosur relationship. The majority of the EU's relationships with other regional organizations were based on economic cooperation as a primary foundation with political cooperation as an additional requirement. The EU promoted its common interests, values and experience in regional integration as a basis for developing more inter-regionalism.

Several scholars developed three views pertaining to regional co-operation. These were such as inter-regionalism; trans-regionalism; and a mix/hybrid form of regional cooperation. Hänggi (2000:3) argued that inter-regional cooperation could be divided into three different forms of inter-regionalism. The first of these forms was the relationships between regional blocks. The second form was bi-regional and trans-regional ties. Finally, the third form was hybrid regional cooperation which was the relationship between regional blocks and third countries. These third countries such as in the case of USA, China, India and Indonesia held a strategic position in their geographical regions (Ibid, p.7). I argue that the hybrid formation of regional cooperation can be defined as the relationship between one regional organization and a third country which covers many dimensions such as political, economic and socio-cultural cooperation. Examples of hybrid formations of inter-regional cooperation are the relationship between the EU and China and the EU and Indonesia.

However, Rüländ simplified Hänggi's classification of inter-regional cooperation. He emphasized that the interaction between regional organizations could be classified into two types. The first type was bilateral inter-regionalism and the second type was a trans-regionalism. Rüländ (2000b:2-3) explained that bilateral

inter-regionalism could be seen as a low level of institutionalized relationship, for example, in specific common projects on trade and investment; transnational crimes; and the environment. Examples of bilateral inter-regionalism are the EU and ASEAN relationship and the EU and Mercosur relationship.

Trans-regionalism is a study of trans-regional cooperation between two huge regional organizations which have various members in these organizations. Trans-regional cooperation can invite other actors, from outside two main regional organizations, to join in the cooperation. However, the expansion in membership, for a new member from outside the two main regional organizations, does not entail directly becoming fully part of this trans-regional institution. The infrastructure of the trans-regional institution can be built by these two regional organizations and their member states, for example: a research centre; a secretariat office; a business forum; and a network of think-tanks (Rüland, 2002b:2-3). Concrete examples of trans-regionalism are ASEM and APEC.

Aggarwal and Fogarty (2004:5-6) classified the commercial arrangements between regions based on pure inter-regionalism; hybrid inter-regionalism; and trans-regionalism. Pure inter-regionalism was defined as the relationship between two custom unions such as the EU and Mercosur. Hybrid inter-regionalism would mean the relationship between a custom union and a group of countries such the EU and the ACP states. Trans-regionalism would be the relationship between two groups of countries within two different regions. They proposed, also, an inter- and trans-regionalism model of relationships which involved domestic, state and regional players. They attempted to define the role of these players within the institutional frameworks of inter-regional relationships (Ibid, p.225-227).

In order to illustrate a recent situation of the variety of inter-regional relations, Hänggi (2006:40 and 56) re-developed his typology on inter-regionalism as follows: the first type was the relationship between a regional organization and/or a regional organization/third country such as the transatlantic relationship between the EU and the USA. The second type was a group to group relationship such as between the EU and ASEAN and the EU and the Andean Community. The third type was the relationship between a regional organization and a regional group such as ASEM. The fourth type was the relationship between two regional groups such as in



FEALAC. The fifth type was mega-regional, which was the relationship between a group of states from more than two regions such as APEC and the Indian Ocean Rim Association for Regional Cooperation (IOR-ARC). He simplified its classification into (1) quasi-inter-regional for the first type of relationship, (2) inter-regional, in the narrower sense, for the second, third and fourth types of relationship and (3) mega-regional for the last type of relationship.

I argue that there are complex forms of inter-regionalism. However, the complexity, in forms inter-regionalism, continues to be contested because, in this debate, there remains divergence between these scholars. In order to assist readers in understanding the classification of inter-regional cooperation, I follow the simple forms of inter-regionalism which are inter-regionalism<sup>6</sup>, trans-regionalism and hybrid formation of regional cooperation. There is a lack of examples in literature on this. However, in the subsequent analytical chapters, if it merits consideration, I spend time considering hybrid inter-regional cooperation between the EU and ten individual member states of ASEAN.

After the above explanation of various definitions and forms of inter-regional cooperation, I elaborate on some critiques which prominent scholars addressed in studying inter-regionalism. Rüländ, Tavares, Hänggi, Roloff and Söderbaum gave critiques on inter-regionalism. Rüländ argued that the concept of inter-regionalism remained unformed in rigid and solid ways. The weaknesses in empirical and theoretical works and their diffuse nature raised doubts as to the importance of inter-regionalism. It is problematic to explain inter-regionalism because of the number of explanatory variables which contrast with the empirical evidence. Inter-regionalism relies upon definition, history, geography, policy area, actors/actorness and a conceptual/theoretical approach (Rüländ 2000c:2). For example, the inter-regional cooperation between two regions might build a collective identity in each region. However, as yet, the EU and ASEAN relationship has not resulted in a collective ASEAN identity for and has tended to create a different identity between the two regions because of their different historical backgrounds and values.

Rüländ (2002c:1) suggested that “most of the existing work on interregional relations has been descriptive, is lacking a comparative dimension and tentative at

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<sup>6</sup> Rüländ refers to inter-regionalism as a bilateral inter-regionalism in order to distinguish it from trans-regionalism. For the purposes of my study, I just continue to refer to it as inter-regionalism.

best in theoretical terms”. Tavares (2004:20) added that, group to group, relationships without a collective institution would be categorized as having weak inter-regional ties. The trans-regional relationship was viewed as containing a huge number of memberships. It meant that there was no clear distinction between inter-regionalism and trans-regionalism. Hänggi, Roloff and Rüländ suggested that, as yet, most existing studies had not succeeded in giving a clear explanation of inter-regionalism. They argued that “theoretical explanations, albeit, rare have been primarily deductive, at times even speculative and most lacking sufficient empirical evidence” (Hänggi *et al*, 2006:7).

It is too early to say that Aggarwal and Fogarty’s proposed inter- and trans-regionalism model of relationships is a comprehensive model sufficient to explain inter-regional and trans-regional relationships because it continued to focus on the institutional framework of commercial co-operation. It failed to see how, when and, to what extent, these players affected the policy-making of inter- and trans-regional organizations. There was a lack of empirical evidence within internal dimensions and inter- and trans-regional organizations paid small attention to the external dimensions of policy-making. Aggarwal and Fogarty (2004:238) admitted that there was an absence of a unitary logic in inter-regionalism. Also, deductively-derived approaches to both policy and analysis might not be based on a single logic. Their study suggested that it was difficult to predict the results for inter-regional regimes and that, as an approach to trade policy, inter-regionalism had a type of broad-based grounding as opposed to in-depth analysis which informed all viable policy choices. Therefore, Rüländ (2010:1280) suggested that there was a need to examine in detail how, when and, to what extent, state actors; non-state actors; and inter-regional institutions influenced the emergence; performance; evolution; and decision-making of inter-regional relationships.

Söderbaum added that, until now, the EU and inter-regionalism continued to be a debatable issue because there was doubt as to its fundamental concepts. Therefore, our perception and understanding of inter-regionalism remain unclear. Söderbaum (2011:224) argued that “the logic, depth and effects of inter-regionalism in the EU’s external relations remain contested. A great deal of the skepticism is connected with

confusion regarding fundamental concepts, which has blurred our understanding of inter-regional dynamics”.

In IR, inter-regionalism and trans-regionalism remain new areas of study, which emerged, in the 1990s, after the rise of the new regionalism. Hence, I believe that inter-regionalism requires further definition and a more definitive conceptual framework. There is a lack of established theory which can be applied by scholars and other interested parties. There are some terms and works but they are insufficient to constitute a definite theory. Therefore, there are diverse analytical approaches which can be used to explain inter-regionalism.

### **2.3. The Application of Inter-Regionalism in the Relationship between the EU and ASEAN**

In this section, I consider the discussions which took place between the EU and ASEAN on inter-regionalism and between Europe and Asia on trans-regionalism. These discussions were important in improving readers’ understanding of some other scholars’ works on the relationship between the EU and ASEAN in particular and the EU’s relationship with Asia generally. I hope that they can see a clear distinction between inter-regionalism and trans-regionalism. The relationship between the EU and ASEAN represents the study of inter-regionalism. The relationship between the EU and Asia represents the study of trans-regionalism.

There were some attempts at analysis by a few scholars who studied inter-regional cooperation between the EU and ASEAN and trans-regional cooperation between Europe and Asia. They used neo-realism; neo-liberalism; social constructivism; and the social relations of productions theories to explain these relationships. Based on thematic issues, I grouped their analyses of inter-regionalism within the relationship between the EU and ASEAN. The literature relating to the EU and ASEAN relationship focused on two main areas of analysis. These were as follows: firstly, the descriptions, from the 1970s to the 1990s, of historical ties between these two regions and secondly, the functions of inter-regionalism related to the global governance system. Furthermore, there were a few scholars who are grouped together based on their works on trans-regionalism between Europe and Asia. These trans-regionalist scholars are formed into groups based on various sub thematic issues which are: (i) the evolution, the role and the development of ASEM

as a trans-regional institution; (ii) the relationship between Europe and Asia through various approaches; and (iii) the connection between Asia and the American imperium. The recent developments on inter-regionalism encouraged debate amongst scholars to consider it from different points of view. Based on their theme and context and in order to illustrate the transformation of inter-regionalism, each group of scholars was criticized by other groups of scholars.

The group of historical scholars consisted of Harris, Bridges, Tornetta and Lukas who illustrated, from the beginning of the 1970s to 1980, the history of the cooperation between the EC and ASEAN. Their works were driven generally by the historical relationship between the two regional entities. Harris and Bridges (1982:2) described, from 1972 to 1980, the historical background of the relationship between Europe and South-East Asia which was represented by the EC and ASEAN. They considered, between 1972 and 1980, Europe's interests in commerce with investment in South-East Asia.

Tornetta (1989:39-44) described the dynamics and the competition for power between various actors including the USA, the Soviet Union, China and Vietnam in the former Indochina. There was an Indochinese crisis and wars in this sub region. The international community (the United Nations/UN, Japan and the EC) were involved in trying to bring about a peaceful solution to the problems in this region.

Lukas (1989:110-111) argued that, in the 1980s, the relationship between the EC and ASEAN and other inter-regional arrangements (e.g. between the EC and the Andean Pact and the EC and *El Mercado Común Centro Americano*) were too young in terms of the period of cooperation. This situation presented IR scholars with a common difficulty which was to identify the problems and predict the future form of inter-regional ties.

I am critical of the group of historical scholars who wrote descriptively on the historical relationship between the EU and ASEAN. Harris, Bridges, Tornetta and Lukas considered the EU and ASEAN relationship but, in the initial period of the relationship between the EU and ASEAN, focused only on the historical aspects of the relationship between these two regions. They did not employ IR theories to explain the relationship between the EU and ASEAN. Basically, they described, from the 1970s to the 1980s, the historical dynamic of the relationship between these

two regions. They illustrated an initial part of the relationship between both regions. The reasons as to why they described the relationship based only on historical ties was because, at that time, the study of inter-regionalism had not been developed yet. They had limitations in obtaining empirical evidence to explain the relationship between the EU and ASEAN. At that time, most scholars focused on the study of regionalism which dealt with the relationship between countries within a particular region.

The group of scholars, who focused on historical ties between the EU and ASEAN, was criticized indirectly by another group of scholars whose approach focused more on the functions of inter-regionalism. I call this group, the group of functional scholars. Rüländ, Doidge, Yeung, Perdikis, Kerr, Robles, Moeller, Camroux, Chandra, Manurung, Pambudi and Pakpahan argued that the functions of inter-regionalism were understood best as a contribution to the structure of global governance through the dynamic of the relationship between the EU and ASEAN. Most scholars attempted to use IR theories to examine the relationship between the EU and ASEAN. They assessed (i) how the EU and ASEAN relationship could contribute to the structure of global governance; (ii) how the commercial relationship between regional trade organizations (the EU, ASEAN, APEC and NAFTA) might foster an integrated global economy; (iii) how the social relationship between the EU and ASEAN was shaped by non-state actors; (iv) how misunderstandings between these regions might result in the ineffective function of inter-regionalism; and (v) the impacts of a proposed ASEAN-EU FTA on the Indonesian economy.

Rüländ (2001:6-9) described the achievement of inter-regionalism between the EU and ASEAN and trans-regionalism between Europe and Asia in order to answer in what way inter-regional and trans-regional cooperation contributed to the structure of global governance. He used five analytical frameworks to describe several functions of inter-regionalism which were inter-regionalism balancing; rationalizing; agenda-setting; identity building functions; and institution building. These functions were the result of a combination of IR theories which were realism; neo-liberalism; and social constructivism. Rüländ used realism to explain inter-regionalism and trans-regionalism as a means for Triad actors to preserve a balance of power between themselves and other regions (inter-regionalism balancing). He employed neo-

liberalism to assess the inter-regional ties which influenced the institutional building function; the agenda-setting function; and the rational function. He applied social constructivism to assess inter-regional ties which encouraged the collective identity building function between two regions. Based on the five functions of inter-regionalism and in order to find a way for inter-regional ties to support the system of global governance (Ibid), he examined the relationship between the EU and ASEAN in the 1980s and the 1990s.

Rüland (2001:27-29) came to the following five conclusions which were: firstly, the EU and ASEAN inter-regionalism faced many problems. For instance, their relationship was more of a balancing function which could not lead easily to a deeper relationship between them. Secondly, there was a need to institutionalize the relationship between the EU and ASEAN. Thirdly, many structures of the Europe and Asia relationship brought about a repetition at the global institutional level. Fourthly, the ASEM's role was ineffective in dealing with the Asian financial crisis which reduced the strength of the inter-regional and trans-regional ties. Finally, within ASEM countries, there was a lack of confidence because of the ASEM's weak role in responding to the Asian financial crisis.

Doidge (2004:323-324) explored the cooperation, from the 1970s until the 1990s, between the EU and ASEAN and ASEM. He employed five functions of inter- and trans-regional relationships to establish whether or not these five functions were performed in the relationship between the EU and ASEAN and in ASEM. Through the introduction of actorness as a moderating variable, he illustrated some reasons why or why not these functions were performed in the relationship between the EU and ASEAN and in ASEM. Doidge concluded that the level of actorness in regional blocks would affect, to some extent, the performance of five functions of inter- and trans-regional relationships.

In a later work, Doidge (2011:171-177) described the EU's inter-regionalism with ASEAN, ASEM and Mercosur. He examined, also, the ASEAN and Mercosur relationship and the FEALAC. He used five functions of inter- and trans-regional relationships and functional varieties of inter-regionalism. The functional varieties of inter-regionalism were capacity building inter-regionalism and globally active inter-regionalism. He concluded that the relationships between the EU and ASEAN;

between the EU and ASEM; and between the EU and Mercosur had the function of balancing motivations; building capacity; and exercising greater influence at the global level. The ASEAN and Mercosur's relationship and FEALAC's were based on balancing motivations and a globally active inter-regionalism.

Yeung, Perdakis and Kerr (1999: ix–xi and 1-7) considered that, in the global economy, there was a gap in the increasing inter-linkages between regional trade organizations. However, from the 1980s to the 1990s, there was no dynamism in the trade relations between the EU and ASEAN. They used a trade economist's perspective as a way to answer the above puzzle. The trade economist's perspective aimed at observing developments in international trade relationships based on the old General Agreement on Tariffs and Trade (GATT) and the WTO. They reviewed the commercial relationship between the EU and ASEAN. In addition, they examined APEC's effect on the trade relationship between NAFTA and ASEAN and its importance to the commercial relationship between the EU and ASEAN.

Moreover, with regard to the EU and ASEAN, they described regionalism in the global economy and the creation of regional trade blocs. They compared the trade relationship between the EU and ASEAN with the commercial ties between ASEAN and APEC. They attempted to connect those trade ties with the NAFTA. They concluded their findings by saying that, in the 1990s, the trade relationship between the EU and ASEAN was quite weak. They needed to improve their future trade relationship. They suggested that, in order to be more institutionalized and coherent in its operation, ASEAN had to follow the EU. The creation of bridging organizations (such as APEC and the Free Trade Area of the America/FTAA) did not foster regional trade organizations (NAFTA, the EU and ASEAN) fully as building blocks in the world economy. The WTO might assist regional trade organizations to become building blocks in the world economy (Yeung *et al*, 1999:143-150).

Robles (2004:ix–xii) focused on the question that if contact at the inter-regional level was improving between actors from different regions, such contact might help, also, to solve any divergences by improving their respective regions. He argued that at the global and regional levels, structural limitations stimulated the EU and ASEAN to create a novel form of social relationship rather than that of inter-regional relations. Their relationship, involving two organizations and other non-state actors

(such as companies and NGOs), had resulted in a new circumstance for social action or constraints which had arisen because of situations, at international and regional levels, during the 1980s and the 1990s. This situation described the behaviours of the above actors from these two regional blocks.

When examining the relationship between the EU and ASEAN, based on Robert Cox's theoretical approach, Robles' emphasized that the integration between the social structure and human agency. The structure covered social relations which consisted of material means (resources and technology); institutions; and conceptions. He argued that two organizations had established conceptions of inter-regional ties on which their cooperation was founded. Their attempt, to build the material and institutional foundations, was adjusted according to the structures of production and international order (Cox, 1987:5-9) at the regional and global level (Robles, 2004:7-8). The EU and ASEAN had developed a social structure and relationship which had been influenced by non-state actors. However, as yet, the social relationship between the EU and ASEAN has not developed productively and did not support the regionalization in South-East Asia. This had happened as a result of the interaction between the high effects of multinational companies and the low effects of NGOs (Robles, 2004:165-171).

Moeller (2007:466) argued that, in the relationship between the EU and ASEAN, there was a lack of understanding between these two regions. He assessed the situation which caused the EU's and ASEAN's relationship not to function progressively. This situation resulted in challenges and opportunities for both parties. This had been caused by the EU's inability to interpret ASEAN's views on stability and security; the disunity within the EU position; and the establishment of ASEM which led to the EU's and ASEAN's relationship taking a different direction. Moeller did not use any IR theories to illustrate the relationship between the EU and ASEAN. He applied a political scientist's perspective in understanding the relationship between the two regions.

Camroux (2008:1-2 and 31-33) provided a general overview of the relationship between the EU and ASEAN. He compared the political and economic dimensions between the EU's highly institutionalized organization and ASEAN's uniquely multi-dimensional regional entity. He attempted to juxtapose these regional blocs by



describing their differences in the political and economic dimensions of cooperation. He employed macroscopic observation to contrast these regional blocs. In a later work, Camroux (2010:57, 71-73 and 2011:202-204) argued that the EU's attempt to export its model of regional integration elsewhere represented the new stage of relations in inter-regionalism. He used his previous works to contrast the political and economic dimensions between these two regions. Finally, he raised a question as to how to describe regional cooperation: whether or not they represented inter-regionalism or merely contact in a four-level game? He proposed that inter-regionalism was a new level within the four level game which extended from Putnam's metaphor of a two level game and Patterson's and Deutsch's metaphor of a three level game. He concluded that inter-regionalism was an intermediary target of the EU, shaping its relationship with other regions. It was caused by different capacities within the EU and ASEAN. He advised that inter-regionalism was a crucial area of study which needed future research rather than becoming an imagined alchemy.

Chandra, Manurung, Pambudi and Pakpahan's book presented the economist's case for economic bilateralism and inter-regionalism between the EU and ASEAN and the impact on Indonesia. They argued that the EU-ASEAN economic relationship would be dominated by the EU. An ASEAN-EU FTA should accommodate the developmental objectives of ASEAN and its member states especially Indonesia. They used economic bilateralism/inter-regionalism and the economic simulation in a computable general equilibrium (CGE) model which was created especially for the example of Indonesia. This economic model is known as the Equilibrium Model with an Economic Regional Analysis Dimension (EMERALD).<sup>7</sup> They concluded that ASEAN needed to concentrate on creating the ASEAN Community by 2015 rather than establishing FTAs with other external partners. The adjustment cost for an ASEAN-EU FTA would have an impact on people's welfare in Indonesia and in other ASEAN countries. Quantitatively, their work showed that 10 % of the EU's foreign direct investment (FDI), which flowed into Indonesia, could undermine the welfare of Indonesians because of the open competition between economic actors from the EU and Indonesia. Most economic

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<sup>7</sup> It measures the advantages and disadvantages for all economic sectors of Indonesian involvement in an ASEAN-EU FTA.

actors, in Indonesia, would lose their business to economic actors from the EU. If Indonesian exports to the EU improved by 18.5 %, there were some economic sectors which would win (labour productivity and house hold income) and some sectors which would lose (forestry, fisheries, agriculture, chemical, petrol refineries and services) (Chandra *et al*, 2010:2-3 and 96-97).

I would like to point out that this group of scholars, who believed in the functions of inter-regionalism, had some limitations. These were: firstly, Rüländ, Yeung, Perdikis, Kerr and Robles considered only, through the functions of their inter-regional cooperation, the relationship between the EU and ASEAN up to the end of 1990s; the contribution of the EU's and ASEAN's relationship to a global economy; and the social structure between the EU and ASEAN. Their works focused on the relationship between the EU and ASEAN during the final years of the Cold War era and on the early years after the Cold War. Their works did not cover the relationship between the two regions in this millennium era.

Secondly, Rüländ (2005:300) explained that the functions of inter-regional cooperation were “more theoretically deduced than empirically real”. On the question of inter-regionalism, there was a gap between the approach and the empirical evidence. Arising out of Rüländ's work, Doidge examined the application of five functions of inter-regional cooperation in the context of the EU and ASEAN ties and in ASEM. However, within the functions of inter-regional cooperation, the performance of rationalizing, agenda-setting and collective identity formation was not really well-performed and developed in the EU and ASEAN ties and in ASEM. This was because of several differences in approach between the EU and Asian countries such as in the sphere of human rights and democratic principles and the discussion of high versus low institutional development between the two regions. His research covered, at the same time, the vast topic of the EU and ASEAN ties and ASEM. Doidge attempted to compare the actorness between the EU, ASEAN and ASEM in the framework of inter- and trans regionalism. However, these regional actors had different shapes and characteristics which made it difficult to compare them. Robles (2008:11) added that some studies of inter-regionalism and their functions seemed to consist of inadequate empirical claims and, theoretically, when

explaining ASEM, were insufficient to explain the inter- and trans-regional relationship, such as the above functions of interregional cooperation.

In a later work, by employing the application of five functions of inter-regional cooperation; capacity building inter-regionalism; and globally active inter-regionalism, Doidge examined the EU inter-regionalism with ASEAN, ASEM, Mercosur and the ASEAN and Mercosur relationship and FEALAC. These functions of inter-regional cooperation covered only the macro dimension of the inter-regional relationship between the EU and other regions and non EU inter-regional ties. These were insufficient to give us micro/specific explanations on internal and external factors, and how and, to what extent, these factors affected the development of the EU external policies towards several regions and inter-regional outcomes. This situation led to a more general coverage of analyses rather than focusing on specific coverage of analyses. Consequently, it was quite difficult to say how the level of actorness and the functions of inter-regionalism significantly affected the development and performance of the functions of inter-regional cooperation, if a few of the functions, as mentioned earlier, were not performed.

Thirdly, Yeung, Perdakis and Kerr researched the connection between the EU and ASEAN trade relationship and the ASEAN and APEC relationship and FTAA and NAFTA for their contribution to the world economy. However, this research was too broad and limited to provide a comprehensive analysis of the trade relationship between EU and ASEAN; the ASEAN and APEC relationship; and NAFTA. Their attention was limited to the WTO as the premier way to improving the trade relationship amongst regional trade organizations. They captured, to a small degree, the importance of inter-regionalism and trans-regionalism as alternative ways of cooperation out of a deadlock in the WTO.

Fourthly, Robles focused on the roles of non-state actors such as the companies and NGOs in the relationship between the EU and ASEAN. He argued that, in the social structure created by the EU and ASEAN ties before the 2000s, the NGOs' role was low compared to that of the business community. However, I point out that the roles of the EU's institutions, member states and ASEAN countries remained crucial to the relationship between the EU and ASEAN. To some extent, the involvement of non-state EU and ASEAN actors focused on the trade and socio-cultural areas of

cooperation in the ASEM's framework. The Asia and Europe Foundation was a forum for non-state actors from the EU, ASEAN and other ASEM countries which were designed to meet and discuss their experiences. However, between 1980 and 2011, there was no formal forum for non-state actors particularly from the EU and ASEAN. Recently, there was a new development in the participation of non-state actors in the EU and ASEAN relationship exemplified by the ASEAN-EU Business Summits being held by only business communities from both regions between 2011(in Jakarta) and 2012 (in Phnom Penh) and ongoing. It is too early to make any definitive comments on the effectiveness of this interaction among business people from the two regions.

Fifthly, in this group, most scholars illustrated the old period of the EU and ASEAN relationship (between the 1970s and the 1990s). Up to 2007, Moller and Camroux provided general overviews of the relationship between the EU and ASEAN. However, they used only a political scientist's perspective to describe this relationship. Most scholars did not assess comprehensively the EU's policies during the contemporary era of the relationship. The EU released new policies toward ASEAN due to the different context from the previous era and the complexity of their current inter-regional cooperation. Camroux was too premature, in his judgement, that inter-regionalism was an intermediary target of the EU in building a relationship with other regions. I argue that inter-regionalism remains one of the EU's main strategies in interacting with third parties (European Commission, 2006a:9-10). It was clear that there was an attempt by the EU to share its regional integration experience with ASEAN. However, this experience was only an inspiration for ASEAN when it created its own regional integration. Camroux proposed, only slightly, the idea of a four-level game without either explaining it in detail or elaborating on it. I argue that inter-regionalism continues to be an evolving means of cooperation which needs to be researched further in order to find an appropriate perspective in searching for a valid approach and providing empirical evidence to explain it.

Sixthly, Chandra, Manurung, Pambudi and Pakpahan assessed Indonesia's prospects within an ASEAN-EU FTA. They provided qualitative and quantitative explanations of their work on the impact of an ASEAN-EU FTA on the Indonesian

economy. It was a useful analysis on their overall view of the relationship between the EU and Indonesia. However, I argue that their work was too limited in scope since it focused too much on the Indonesian economy rather than, as a whole, on the ASEAN-EU FTA. It would have been interesting if they could have provided analyses on other ASEAN countries' economies. Then the reader could consider the general assessment of how an ASEAN-EU FTA would impact on the economies of ASEAN countries.

In this study, I mention a different group of scholars which I refer to as the trans-regional scholars. They criticized inter-regionalism because it was focused too narrowly and did not cover wider trans-regional ties. They argued that we needed to think trans-regionalism or a broader regional area. In the area of trans-regionalism between Europe and Asia, ASEM represented a place of interaction between the EU and Asian countries. The trans-regional literature can be divided into the following three main areas of analysis (the sub-thematic issues). The first sub-group of trans-regional scholars focused on the evolution, the role and development of ASEM as a primary political and economic forum in the relationship between Europe and Asia. As the main part of their analysis, most scholars assessed the evolution, the role and development of ASEM from 1996 to the present day. In this sub-group, some scholars examined ASEM's role as a political and economic institution for interaction between these two continents. Secondly, another sub-group of trans-regional scholars considered different approaches such as bilateralism and trans-regionalism in the EU's engagement with Asia. Thirdly, a final group of trans-regional scholar focused on the connections between the American imperium and Europe and Asia. The imperium and its surrounding regions established a strong pillar of democracy and, in Europe, a system of welfare states and, in Asia, a system of economic development and democratization.

The debate amongst the first sub-group of trans-regional scholars on the relationship between Europe and Asia began with the historical and development in ASEM. Holland, Gilson, Forster, Camroux and Pakpahan focused on the evolution; and the role and development of ASEM as an area of analysis in the Europe and Asia relationship. Each elaborated different angles to explain the evolution, the role and development of ASEM. Holland (2002:59-84) explained that the EU and ASEAN

formed ASEM in the mid-1990s. However, ASEM was only a forum which represented a different playing field between its members. The variety of ASEM member states could create less cohesion and effectiveness in terms of common position. As one of his examples, Holland described the EU development policy as an overview in the wider EU integration discussion within the relationship between Europe and Asia. He attempted to describe the essence of policy debate between EU's development policy and the EU's integration process by using integration theories, such as multi-level governance and liberal inter-governmentalism.

Forster examined the approach of negotiated order in the relationship between the EU and ASEM. Forster used Smith's negotiated order approach which elaborated on three crucial areas in the global arena. They were as follows: boundaries, layers and networks. Boundaries could be seen as how to define spaces or territories in terms of participation and sharing values. Layer meant that the EU had multi-layers of contact with other regions such as region to region and bilateral contacts. These layers, based on historical backgrounds and political systems, related to different aspects of policy interaction. Networks emphasized the involvement of multi-actors in solving collective challenges (Smith, 1998:4).

Forster (2000:798-801) argued that there were four points which could be elaborated on from the approach of negotiated order in the interaction between EU and ASEM. Firstly, the EU empowers its relationship with ASEM to open communication and use norms in order to minimize uncertainty within their relationship. Secondly, an approach of negotiated order assisted the reader in understanding the competition interests and pressures inside the EU. Thirdly, the complexity of the EU policy making mechanism created a long process of policy response. Finally, the geo-political situation influenced the interests, on the part of the EU member states, to choose and maintain the relationship.

In considering the relationship between the EU and East Asia through ASEM, Gilson (2004:64-65) used neo-realism; neo-liberalism; and social constructivism. She attempted to mix these theories to assess the contribution of ASEM to the structure of global governance. According to her analysis, ASEM reflected a balance of power and a process of trilateral interests of three economic powers, namely, Western Europe, North America and East Asia. The EU realized that ASEM had been used to

support its trade strategy and strengthen the trilateral trade relationship. The EU and East Asia relationship emerged because of the current economic growth and development in East Asia and differentiation in resource supplies and allocation between these regions. The ASEM effect was quite small within the EU and East Asia relationship because of some remaining challenges within ASEM, itself, such as its lack of institutional development; broad issues; various involved interests and participating actors; and the limited realization of committed agreements between both parties.

In a new article, Gilson (2011:235-242) examined the history of ties between Europe and Asia; the end of the Cold War; and the globalization process which shaped the relationship between these two regions. Furthermore, she argued that ASEM had shaped a new and complex structure of global governance. Within East Asia, the institutional aspects of several regional initiatives were based on the ASEAN way which employed the principle of non-interference and the consensual basis of the decision-making system. ASEM, ASEAN+3 and EAS evolved into different forms in an EU style.

Camroux (2006:2 and 33-37) discussed that inter-regionalism was a valuable choice for the governments of the EU and Asia to cooperate and work together in the context of ASEM. However, the differences between the EU's high institutionalization and the diversity of Asian countries' capacity to extend their political will, created an asymmetrical situation in ASEM. The main implications of the asymmetrical situation are: firstly, in the future, ASEM might represent a problematic relationship between both parties. Secondly, ASEM might not improve and move forward from its current position. Therefore, the EU and Asia should develop their own solid foundations to foster and strengthen ASEM. Camroux did not use IR theories to explain the relationship between the EU and Asia. He described the asymmetrical ties between the EU and Asia. Always, ASEM's role has been static and, as yet, has not transformed into an effective institution for Europe and Asia. ASEM's role is crucial in terms of accelerating the relationship between these regions.

In Pakpahan's 2010 article, he argued that there were emerging bilateral and regional economic initiatives between Europe and Asia. In the future, these economic

initiatives might lead to unbalanced economic development between both regions. These situations would create possible challenges and implications for both regions. He proposed that the economic initiatives between Europe and Asia should aim to develop the least developed countries in Asia. ASEM could establish a common flexible framework for these bilateral and regional economic initiatives between Europe and Asia. In his approach, he used inter-regionalism and trans-regionalism to examine the implications of the economic initiatives between the two regions and ASEM's future role in the relationship between Europe and Asia. He came to the conclusion that the relationship between Europe and Asia had been dominated by the political and security aspects of cooperation. Their commercial relationship was transformed into bilateral and regional trade initiatives. A common flexible framework, created by ASEM, could be an instrument for managing and monitoring the existing and future bilateral and regional trade initiatives between Europe and Asia. The flexible framework aimed to identify the possible social impacts of these trade initiatives and to search for the best way in dealing with these impacts (Pakpahan, 2010:516 and 530-531).

In general, Holland, Forster, Gilson, Camroux and Pakpahan argued that each of their works focused only on the relationship between the EU and ASEM as a primary example of the Europe's and Asia's relationship. However, the relationship between the EU and ASEM did not cover really whole countries in Europe and Asia. In specific terms, Holland attempted to examine the relationship between the EU development policy and the process of the EU's integration with the integration theories. From his work, liberal inter-governmentalism was explained adequately at the EU level and multi-level governance could be explained at the sub-national, national and supra-national levels. Additionally, Foster applied the approach of a negotiated order to examine the ties between the EU and ASEM. He focused his analysis on boundaries, layers and networks. However, Holland's and Foster's analyses were unable to give a comprehensive explanation of the decision-making process within the EU. Their works had limitations when explaining external factors and the complexity of the relationship between the EU and Asia which influenced the development of the EU's policy with respect to ASEM.



Gilson mentioned that the relationship between Europe and Asia had filled the gap in the trilateral relationship between East Asia, America and Western Europe. Her explanation focused only on the relationship between the EU and ASEM. She did not consider the different approaches, which the USA might have applied in the context of a trilateral relationship. Additionally, she stated that, especially in the East Asia region, ASEM had shaped a new and complex structure of global governance. However, I argue that ASEM is not the only inter-regional framework which shaped a new structure of global governance in this region. In addition, other inter-regional and regional frameworks such as the relationship between the EU and ASEAN; ASEAN+3; APEC; EAS and TPP contributed, also, to influence the new structure.

I would question this sub-group of trans-regional scholars who said that Europe and Asia's relationship was an asymmetrical relationship. In the context of ASEM, Europe's and Asia's relationship is still quite young (around 15 years old). I argue that, in these years, changes to the global, regional and economic situation produced new economic actors in the Asian region such as China, India and Indonesia. In terms of political, economic and commercial issues, the relationship between Europe and Asia may shift gradually from an asymmetrical to a greater interdependent relationship. In his previous work, Pakpahan proposed that ASEM's future role would be to oversee the developments between Europe and Asia in economic trade initiatives and to enhance ASEM's effectiveness. His proposal could be realized as long as there was good will and positive commitment from the leaders of the ASEM countries. If there was a lack of good will amongst the leaders of the ASEM countries in reforming the existing mechanism, it would be difficult for ASEM to realize his proposal.

The next sub-group of trans-regional scholars examined, through various approaches, the relationship between Europe and Asia. This sub-group of scholars revised the first sub-group of scholars' works and went further than ASEM when assessing the relationship between Europe and Asia. Farrell, Balme, Bridges, Murray, Rüländ, Schubert, Schucher and Storz attempted to consider the Europe and Asia regions from various channels of relationship such as through bilateral, regional and multilateral ties. They tried to provide, in the context of multi approaches, various illustrations which have been done by Europe and Asia.

Farrell (2005:135-137) argued that the relationship between the EU and Asian countries was non-binding and informal owing to the weak institutionalization between both parties. They had worked together in several areas of cooperation such as political cooperation; trade and investment cooperation; and cultural cooperation. However, there were shortcomings in their relationship such as the weak framework of cooperation which limited the areas where they could work together for the benefit of both parties. Their association did not support coalition building between both parties whereby they might achieve common positions for global international agreements. The EU and Asia countries had different ways in regarding the ideational aspects and the values between both regions. Farrell employed a cooperative hegemony approach to describe the relationship between the EU and Asian countries. This approach encompassed the impact of ideas, the important role of state actors and the creation of an institution for cooperation between both parties.

Balme and Bridges (2008:8-14) suggested that the relationship between Europe and Asia could be seen in various ways, e.g. as a bilateral relationship between European countries and Asian countries; as a relationship between the EU and an individual Asian country/sub regional; and as a trans-regional relationship between the EU and Asia (ASEM). They used the international political economy approach to describe in the context of bilateralism and multilateralism the relationship between Europe and Asia. They believed that regional integration and inter-regional ties contributed to the development of multilateralism. They suggested that, when describing the relationship between Europe and Asia bilateralism and multilateralism could complement one another. They described these complex levels of analysis in various aspects of cooperation such as political/security and economic aspects.

Murray (2010:253-262) argued merely that the EU applied multiple approaches such as regionalism, inter-regionalism and bilateralism in order to build relationships with East Asian countries. The EU attempted to act as a cohesive actor in East Asia and to support the development of regionalism there. She used a political scientist's perspective in order to provide a description of the EU's role as a regional interlocutor with East Asia. In this and previous work, she came to the conclusion that the EU had to be cautious and realize that there was a different understanding of

regional integration from, on the one hand, the European perspective and, on the other hand, the Asian perspective (Murray, 2008:3-4).

Rüland, Schubert and Schucher and Storz (2008:3-31) examined the relationship between Europe and Asia only at the trans-regional level. They assessed the ties between Europe and Asia by dividing actors into the governmental and the non-governmental. They adopted various approaches such as traditional economic approaches and political economic approaches to assess the relationship between Europe and Asia, in the context of ASEM and, lastly, the political science of inter-regionalism for the process and functions of inter-regional ties. They consolidated these several approaches into a common institutional approach. The relationship between Europe and Asia had an institutional setting which impacted on political, economic and social behaviours, for example trade and human rights.

I would question, in the following terms, this second sub-group of trans-regional scholars who applied various approaches to illustrate the relationship between Europe and Asia: firstly, Farrell suggested that the relationship between the EU and Asian countries could be described by employing the cooperative hegemony approach. I argue that this approach oversimplifies the real situation in the relationship between the EU and Asian countries. There are shortcomings in this approach, such as firstly, her explanation it focused only on ideas and did not consider interests or combination of interests and ideas. Secondly, the cooperative hegemony approach assumed that the EU dominated Asian countries. The EU's values and ideas faced resistance from Asian countries in the context of democratic values and the appreciation of human rights.

Secondly, Balme and Bridges believed that patterns of ties in Europe and Asia focused on the development of bilateral and multilateralism with a small contribution of inter-regionalism. Their explanations looked to bilateral and inter-regional cooperation as their main examples of contribution to multilateralism. However, they provided only weak examples of how and, to what extent, bilateral and inter-regional cooperation strengthened multilateralism in the context of the relationship between Europe and Asia. Therefore, especially in the area of multilateralism there was an inconsistency in their argument about the linkage between bilateralism, inter-regionalism and multilateralism.

Thirdly, Murray believed that, in building a relationship with East Asian countries, the EU was projecting itself as a cohesive actor. The EU attempted to assist the regional integration project in East Asia. I argue that Murray was not clear enough in her analysis as to how the EU could assist regionalism amongst East Asian countries. She did not provide a detailed explanation of the complexities in relationships amongst East Asian countries. She stated only that the EU applied different approaches such as in regionalism, inter-regionalism and bilateralism as to how to link with East Asian countries. However, she did not give a deeper analysis of each individual approach or explain which approach was effective when the EU engaged with East Asian countries.

Fourthly, Rüländ, Schubert and Schucher and Storz elaborated on the European and Asia relationship regarding governmental and non-governmental actors. They employed many approaches to assess the relationship between these two regions. However, I argue that they have blurred our understanding of the inter-regional dynamic because their examination was too wide-ranging in terms of actors and issues of cooperation. They were too limited in scope and focus when defining and finding a common institutional setting in assessing the relationship between Europe and Asia. Finally, their assessment was not deep and comprehensive enough to explain a weak institutional framework and a complex relationship between Europe and Asia.

The last sub-group of trans-regional scholars focused on the connection between the American imperium and two regions, namely, Europe and Asia. Katzenstein considered imperium as a concept for analyzing rather than as a historical reason. He explained that the American imperium was the combination between two dimensions of power; territorial and non-territorial which were shaped by the linkage regions (Europe and Asia) under the ambit of the USA sphere of influence.

In the American imperium, Katzenstein considered Asia and Europe and how they connected with each other. Katzenstein (2005:1) argued that “ours is a world of regions, embedded deeply in an American imperium”. He supported this argument by building four supporting arguments. Firstly, the American imperium exerted a significant influence on regions through a combination of the USA’s territorial and

non-territorial powers. Secondly, these regions had a different institutional, structure and identity. Europe and Asia had crucial countries, such as Germany and Japan, which were close allies of the USA. However, Latin America, the Middle East, South Asia and Africa did not have such strong connections with the USA as the USA had with Europe and Asia. Thirdly, the USA's policies would support globalization and internationalization which shaped the world of regions. Globalization resulted from the processes within the world system where regions were embedded. The global process changed nation states and their ties. The system of states affected internationalization consisting of different regions. The processes of internationalization happened across state borders. Fourthly, regional porousness was strengthened politically by vertical relationship. There were connections between close allies within regions and the USA; between regions and sub-regions; and between the USA and the regions. The American imperium shaped not only the world but it reshaped, also, America (Ibid, p.1-42).

Katzenstein argued that, after the end of the Cold War and the September 11 attacks, Asia and Europe were sub-ordinates of the American imperium. I argue that his argument was too exaggerated. Katzenstein argued that contemporary world politics was unipolar with the USA as a leader of the world of regions. However, the existing world powers were distributed to other actors, in international politics, such as Brazil, Russia, the EU, India and China. The USA's political and economic powers shifted and, to some extent, were distributed amongst these emerging powers. The current world is a multi-polar world. The USA is not the only existing super-power which has ceded her superior position to other emerging powers. However, their positions are equal in terms of building relationships amongst regions.

Most groups of inter-regional and trans-regional scholars gave insights to readers about the relationship between the EU and ASEAN in specifically and, in general, Europe and Asia ties with tentative answers to explain the system of global governance. There were critical points for all groups and sub-groups of scholars especially when focusing on the relationship between the EU and ASEAN and Europe and Asia. My critical points are: firstly, most groups of inter-regional and trans-regional scholars considered the relationship between the EU and ASEAN and European and Asian ties from their macro perspective. Secondly, most groups of

inter-regional and trans-regional scholars, in their descriptions and analyses, examined the relationship between the EU and ASEAN and Europe and Asia by means of observations. The majority of their observations and analyses were limited only to the surface of the relationship between the EU and ASEAN and Europe and Asia. Their works did not cover a micro perspective of the EU when it looks toward ASEAN in its relationship. Additionally, my criticism of the trans-regional scholars' sub-groups was that their works focused on ASEM as an example of a progressive regime in the study of trans-regionalism between Europe and Asia. However, ASEM was a weak regime of trans-regional cooperation because of different perspectives and approaches between European and Asian countries in viewing this forum. On the one hand, the EU member states saw ASEM as a forum which needed to be institutionalized in order to achieve an effective and legally binding trans-regional cooperation between Europe and Asia. On the other hand, Asian countries considered ASEM as an informal forum where they could deliver flexible commitments without any obligation to implement them.

Thirdly, there was a lack of plausible existing theory with regard to inter-regionalism. According to Aggarwal and Forgaty (2004:24 and 237), there was a lack of unified logic to explain inter-regionalism and this made it difficult to predict outcomes for inter-regional cooperation. The indeterminacy of a purely deductive or logical approach to all relevant elements of inter-regional relationships could be explored further by examining in detail in-depth cases. The reasons for pursuing inter-regionalism as an approach depended on the context of specific inter-regional ties. The existing literature did not assess, in detail, the process of the EU's policy development toward ASEAN. They did not give comprehensive explanations and systematic and up to date empirical evidence with regard to the contemporary relationship between the EU and ASEAN. In short, there was insufficient treatment of causal factors that mattered which accounted for why one region developed certain policies towards another region.

In the light of these situations, there is a need for continuing research on the relationship between the EU and ASEAN particularly on the question of why, in the current era, the EU formed certain policies towards ASEAN. In the literature, any results from work on this issue appeared to be inadequate. There were few attempts

from the above scholars which demonstrated how the relationship between the EU and ASEAN functioned. However, we have different perspectives, methodologies and approaches. I argue that their explanations and theoretical approaches were limited when identifying relevant factors which explained the development of the EU's policy towards ASEAN. Their analyses were inadequate when explaining internal and external factors and their interactions which influenced the EU's policy toward ASEAN. They did not take into account all the necessary causal internal and external factors to examine how, when and, to what extent, these factors affected the development of the EU's policies towards ASEAN. Their work did not help to explain the correlation of the factors which influenced the EU's policy results (successes or failures) and had implications for the inter-regional ties between the two regions.

## **2.4. Conclusion**

Chapter 2 explained the review of the literature about inter-regionalism. It explained the development of inter-regionalism. It assessed the application of inter-regionalism and trans-regionalism specifically in the context of the relationship between the EU and ASEAN and that of Europe and Asia generally. There were few works which focused on inter-regionalism. However, these works focused primarily on the description of, as opposed to providing a comprehensive explanation for inter-regionalism.

The existing literature focused only on historical narrative, the functions of inter-regional cooperation, the social structure of inter-regional cooperation and purposes of inter-regionalism and trans-regionalism. It did little to speak to the issue of why the EU created its approaches to other regions especially ASEAN. It was insufficient to address the question about both the analytical framework and empirical evidence in the EU's policy development towards ASEAN. In this area of study, there was a gap in analysis on the existing literature. The gap in analysis was illustrated by an apparent deficiency of relevant factors which could explain the development of this EU policy. In the next chapter, I identify important causal variables. I use the literature on the EU's external relations and my study's empirical evidence as my justifications for these and for integration theories regarding internal factors. The next chapter is this thesis' provisional conceptual framework.

## CHAPTER 3

### THE PROVISIONAL CONCEPTUAL FRAMEWORK

#### 3.1. Introduction

Based on the literature on inter-regionalism, the existing analyses had some weaknesses, such as firstly, for the reasons which I explore below their theoretical approaches were inadequate to explain the development of the contemporary EU policies towards other regions. Secondly, whilst few models took into account internal institutional arrangements, most failed to capture both internal and external factors which explain the development of the EU's policy towards ASEAN. Thirdly, their theoretical approaches were inadequate in explaining the historical thrust and evolution of the EU's policy; and the motivations and objectives behind inter-regional cooperation between the EU and other regional organizations such as ASEAN. Therefore, there was a lack of inter-regionalism theory which could explain inter-regional interactions comprehensively.

My conceptual framework addressed these limitations. Firstly, it was able to accommodate the diversity of topics, from security policy to trade negotiations, within the development of the EU's policy toward ASEAN. This diversity influenced the overall scope and shape of inter-regional strategy towards ASEAN. Secondly, the framework captures and consolidated micro and macro aspects of the process and effects of inter-regionalism between the EU and ASEAN. Thirdly, it focused on analyzing empirical data of the contemporary inter-regional relationship between the two regions; this was relatively lacking in previous accounts. I provided empirical evidence about the development of the EU's policy with respect to ASEAN such as a new partnership with South-East Asia, the joint action of the EU and ASEAN on monitoring the peace agreement in Aceh and the establishment an ASEAN-EU FTA. They were prominent cases which were available in the relationship between the EU and South-East Asia in the last decade. These detailed cases of various EU policy results toward the region could assist me to explain the EU-ASEAN relationship. Lastly, I began with specific observations which might inform broader generalizations and theories. I expected changes to the actors within the various institutional arrangements, the promotion of interests or values which drive the EU's policy, modes of interaction, the level of integration of external partners and the



external pressures and opportunities which, over time, might reveal some generalization patterns in the EU's interaction with ASEAN. I derived these five recurring themes from the literature of integration theories; the EU's external relations; and empirical evidence about which I argued that there was a need for this to be taken into account in explaining the development of the EU's policy. I did something different from the other previously described theorists, which was based on an inductive approach, to analyze the causes of the EU policy towards ASEAN.

In terms of influencing policy development, these internal and external factors are assumed to be mutually constitutive and interdependent factors. They had to be analyzed simultaneously in order to achieve a comprehensive understanding and explanation of the development of the EU's policy towards ASEAN. Nevertheless, this provisional framework provides a reference point and assists the analysis of my case studies. There was an explanatory relationship between the provisional conceptual framework and the case studies. I used this framework to examine the process of policy development; and to analyze the relationship between factors and the policy development. Consequently, I explained the relevancy of these factors and the success and failure of the policy. This framework was a dynamic model where the factors affected each other and the inter-regional cooperation between the two regions.

This chapter aims to propose five relevant factors as a provisional conceptual framework which was used, in the context of building inter-regional cooperation, to analyze the development of the EU's policy towards ASEAN. I chose these factors as a framework because they could explain internal and external dimensions which affected the development of the EU's policy towards ASEAN. The framework argued that any account of the development of EU policy had to consider five factors. Firstly, it had to explain relevant actors within the various institutional arrangements in the making of the EU's policy towards ASEAN. Secondly, it had to highlight the promotion of interests or values which drove the EU's policy with respect to ASEAN. Thirdly, it had to consider the various modes of interaction between the EU and ASEAN in the making of the EU's policy toward ASEAN. Fourthly, it had to explain the integration level of external partners. Fifthly, it had to highlight the external pressures and opportunities which affected the making of the

EU's policy towards ASEAN. The chapter concludes that these factors would be effective in explaining and understanding the relationship between the EU and ASEAN.

### **3.2. The Relevant Actors within the Various Institutional Arrangements in the EU's Policy Development towards ASEAN**

The relevant actors were one of the two internal factors in developing inter-regional policy within a regional organization. They were a relevant factor in explaining and determining the development of the EU's policy in any particular context. We can see their importance in the various institutional arrangements illustrating how they interplayed and the extent to which they influenced the development of the EU's policy. I explain the relevant actors in the development process of the EU's policy.

The development of the EU's policy is linked to the integration theories which explain the internal process of the EU's regional integration. The central point of analysis for integration theories such as the share of competence and the actors' behaviours within the EU are the EU's internal issues and the domestic issues of EU member states. These issues relate to the internal decision-making of the EU's policy. The integration theories attempt to explain the internal process of the EU's integration and internal decision-making of a particular policy. However, they have limitations in explaining the complexities of external factors which influence the process of the EU's policy. They cannot explain beyond the internal process of the EU's integration. Therefore, the integration theories cannot be considered to be comprehensive theories to explain inter-regionalism since they lack external dimensions. They are insufficient to deal with inter-regionalism.

I extracted some ideas from integration theories which would be useful in forming internal factors to analyze the development of the EU. There are three main integration theories: neo-functionalism; liberal inter-governmentalism; and multilevel governance. I explain briefly the core arguments of each integration theory. According to Haas (1958:16-17), neo-functionalism argues that political community can create political integration based on groups, individuals and government. Political integration is the process of political actors (political leaders,

policy makers and lobbyists) who have been persuaded to change their loyalties and political activities towards a new supranational institution. Neo-functionalism believes that the process of European regional integration is caused by the spillover effect of integration which starts from the economic element to other elements (Dolan, 1975:286). Haas and Schmitter (1966:262) argued that the spillover effect was linked to political actors who agreed to extend their authority and cooperation for further regional integration.

However, the theory of liberal inter-governmentalism is strongly critical of neo-functionalism because neo-functionalism cannot explain, within a regional organization, domestic interests; national formations; and inter-state negotiations (Moravcsik, 1993:480). Moravcsik (Ibid, p.479-482) believed that, in deciding the EU's policy outcomes, the nation state was the main actor. He proposed that nation states still drove the EU's policy agendas and choices. Liberal inter-governmentalism theory explains integration as the result of national governments' rational decisions showing the interests of strong domestic groups and the relative power of every nation state. Nation states calculate to enter into an agreement if it gives maximum gain for their domestic constituents and balance of power within the system. Therefore, most EU policies are based on the lowest common denominator amongst its member states. Moravcsik (Ibid) argued that liberal inter-governmentalism divided the EU decision-making process. This was based on two levels as follows: the formation of national preferences; and inter-state bargaining. If the EU member states have taken final decisions and only delegated them to the Commission, the latter does not have the power to make the final decision.

When it considers the process of the EU's regional integration, the multilevel governance approach does not agree completely with the theory of liberal inter-governmentalism. According to Hooghe and Marks (2001:1-2), multilevel governance argues that, in the EU's regional integration, every actor has a different role at a different level of governance. The EU decision-making involved various actors within multiple stages. The EU has the process of collective decision-making which interconnects various EU institutions, member states and other political actors at the multiple levels such as the EU level, the national level and the sub-national level. To some extent, the EU member states have lost some of their authority over

their citizens and the power to control the EU's decision-making. The control of authority has shifted from national governments to supranational institutions. With regard to EU policy, decision-making has a shared authority and influence at a multilevel of governance.

From the theoretical discussion set out above, the following internal factors, contributing to the development of the EU's policy toward other regions, can be used for the analysis of inter-regionalism between the EU and ASEAN. The nature of inter-regionalism can be explained and understood by assessing various actors involved in the different institutional arrangements within a regional organization such as the EU. These actors are divided into relevant and related actors. Relevant actors have the competence and authority to initiate; drive forward; negotiate upon; and take final decisions in the development of EU policy toward other regions. I acknowledge that to some extent, the EU institutional actors (eg. the Commission) are not always unitary actors (Carbone, 2007:3 and Cram, 1999:49) for example in the case of European integration (Hooghe, 2001:194). However, in this thesis, I treat them as unitary actors unless otherwise stated in order to balance the analysis between the development of the EU policies and the implications for the EU and ASEAN relationship. Related actors are involved in the development of EU policy and, in the decision-making process, shape the decisions made by the relevant actors. Related actors have consultative/informative, complementary or intervening roles affecting the EU's policy development.

Additionally, the EU's institutional mechanism contributes to the pattern of EU's inter-regionalism with other regions, such as ASEAN. Bindi and Shapiro (2010:343) argued that: "A EU foreign policy is dependent on the creation of an institutional framework that can support a political process of policy formulation". They continued by arguing that: "EU foreign policy is mostly, though not exclusively, negotiated by diplomats and foreign ministers in a classic inter-governmental setting. It follows that a multiplicity of actors with often widely varying and sometimes conflicting ideas are involved in the process" (Ibid).

Söderbaum and Stålgren (2010:4) argued that: "The EU's external policies are supranational and common, whereas in other cases they are intergovernmental". Sometimes, the EU is not only releasing its common policy (such as inter-regional

cooperation policy) but, also, in several cases launching its inter-governmental policy (such as the Common Foreign and Security Policy /CFSP) toward other regions.

However, these are always changing, developing and varying in the context of the competence of relevant actors within a regional organization. Warleigh (2002:5) argued that: “The architecture of the EU has often been re-evaluated and reconstructed, with the addition of new institutions and significant changes in the powers and functions of the foundational parts of the system”. He stated that: “Member governments are prepared to delegate to the Union at any one time, the EU institutions serve as an indicator of the direction and condition of the integration process” (Ibid, p.6). The relevant actors are an important factor which needs to be taken into account in examining the development of the EU’s inter-regional policy of and inter-regionalism.

Relevant actors involved in institutional arrangements tend to be more varied. However, every actor has its own role, function and authority in the different institutional arrangements. Therefore, it is crucial to know, in the divergent institutional arrangements, the relevant actors on which the EU’s inter-regional policies are developed.

The EU’s relevant actors have an influence on the development of the EU policy towards ASEAN. The EU’s governance system consists of supranational and inter-governmental dimensions which constitute an obstacle in formulating and implementing its external policy (Smith 2002: 8-9). There are several relevant actors (such as the EU’s institutions and member states) who, within the EU, are involved in the making of external policy. In the EU’s institutional arrangements, these actors have their own authorities and competences. The Maastricht Treaty and other relevant treaties were used as legal foundations of the EU’s institutional arrangements. These treaties created supranational bodies which had important roles and functions in the development of the EU’s policy toward other regions. Then, through their various roles as mentioned earlier, there were related actors involved in and influencing the development of EU policy. However, in the decision-making process of the EU policy toward other regions, they had less competence than relevant actors. The institutional arrangements of the EU’s policy can be seen as a

complex process of policy formulation which, within the EU's internal arena, supports the interaction of these various actors.

The EU external policies towards ASEAN cover many areas such as inter-regional cooperation policy; trade policy; and CFSP. The EU inter-regional cooperation and trade policies reside in the EU's first pillar which is known as the European Community Pillar.<sup>8</sup> The CFSP constitutes the second pillar of the EU's institutional arrangement. I assessed relevant and related actors in the processes of policy development within the EU and how they fitted with the institutional arrangements of the EU's inter-regional cooperation policy; trade policy; and CFSP towards ASEAN.

### **3.2.1. The EU's Inter-Regional Cooperation Policy for ASEAN**

The EU's inter-regional cooperation policy is one of the Community's external policies to other regional organizations, for example, the Commission's communication paper toward South-East Asia.

The main actors making the EU's inter-regional policy were the Commission; the Council of Ministers; and the European Parliament. The Commission is an EU executive body which implements the inter-regional cooperation policy towards ASEAN. It creates initiatives by forming a commission paper and coordinating the policy implementations of the EU and its member states (European Commission, 2010a:1).

The Council is the main institution in the EU's decision-making body because all final decisions are taken by this institution (Council of the EU, 2010:1). The power lies in the Council which consists of representatives of the EU member states. The Council has responsibility for making security; defence; development; and trade policies. When consulting with ASEAN (Ibid), it works with the Commission and the Parliament to achieve a common position.

As regards the EU inter-regional cooperation policy, the European Parliament coordinated with the Council over legislative procedures. It could take legislative

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<sup>8</sup> Before the Lisbon Treaty, the EU had three main pillars in its legislation; the European Community was the first pillar, CFSP was the second pillar and Justice and Home Affairs was the third pillar. After the Lisbon Treaty came into force in 2009, EU legislation, for various policy areas, is done based on more co-decision within the EU's institution and new integrated mechanisms (Council of the EU, 2009a:1).

initiatives in the EU policy making mechanism. The European Parliament's power is limited because it can give only assessments with regard to the budget and implementation mechanisms.

With regard to the institutional arrangement in the EU's inter-regional cooperation policy, the Commission's communication paper towards South-East Asia, which was formulated in the European Community pillar, is an example of that policy. Regarding the EU's relations with third countries, the 1980 ASEAN and EEC Joint Declaration and a 2001 strategic framework for enhanced partnership with Asia (European Commission, 2001a:3-4) are an agreement and framework which the EU uses for South-East Asia. The EU may extend its cooperation with third parties based on its regional cooperation with other regions (EUR-Lex, 2010:1), such as Council Regulation (EEC) No. 443/92, of 25 February 1992, on financial and technical assistance to, and economic cooperation with, the developing countries in Asia and Latin America (Europa, 1992:1). The EU's inter-regional cooperation policy consists of economic development policy as a main dimension of policy and politico-security policy as a complementary dimension of policy between the EU and its external partners, especially ASEAN.

The brief mechanism of the development of the EU's inter-regional cooperation policy towards a third country or regional organization (EUR-Lex, 2010:1) begins with the Commission initiating and composing a communication paper on regional cooperation toward a third party. The Commission proposes the communication paper to the Council so that it can be scrutinized and negotiated. The Council discusses and negotiates internally to achieve the EU's common position on the communication paper for a third party. The Commission, in consultation with the Council, discusses with a third party to conclude the communication paper.

Furthermore, the EU's inter-regional cooperation decision-making is based on a consensus or a compromise, at the Council, amongst the EU member states. According to Articles 181, 181 and 300 in the Treaty establishing the European Community (TEC), the Council employs a qualified majority on a proposed agreement from the Commission. The unanimity is needed by the Council, if the proposed agreement comprises elements which need to be ratified by internal regulations within the Community. The agreement is concluded by the Council after

consultation with the European Parliament (Official Journal of the European Communities, 2002:110-111). The involvement of the European Parliament remains limited in EU inter-regional policy making. The Commission implements the EU communication paper in consultation with and monitored by the Council and the European Parliament (EUR-Lex, 2010:1).

### **3.2.2. The EU's Trade Policy for ASEAN**

The EU's policy on the creation of an ASEAN-EU FTA is a concrete example of the EU's trade policy. The EU trade policy involved many actors amongst the EU's institutions and its member states. Young (2004:204) argued that: "The EU's institutions can decide whether the member states can join international negotiations or they can take an option to join unilaterally". The important actors in making EU trade policy are the Commission; Article 133 Committee<sup>9</sup>; COREPER; and the Council.

The Commission is an EU executive body especially for the first pillar of the EU. The Commission's role is to create trade proposals; negotiate with other parties; and coordinate the actions of the EU and its member states (Eurofic, 2010:1). Under Article 133 (European Commission, 2001a:1) the Council appoints a Committee to cooperate with the Commission in the development of the EU's trade policy. Article 133 Committee consists of the Commission and representatives of the EU member states. It is led by the member state which holds the EU presidency. It coordinates relevant parties to create EU trade policy. It is a decision-making centre for the Community's commercial policy. It elaborates related trade issues such as Doha Development Rounds; FTA/Economic Partnership Agreement (EPA) negotiations process between EU and other regions; market access instruments for export and import; and all trade elements.

The Committee of Permanent Representative (COREPER) (European Union, 2010a:1) has responsibility for preparing the Council's assignments and works. Within the EU, it has an important role as a focal point in the decision-making system. COREPER has two roles as a forum for discussion and an instrument of political control of the EU member states. It has important roles such as setting up

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<sup>9</sup> It has changed its name to the Trade Policy Committee (Council of the EU, 2011a:1).



agendas of the Council meetings and taking responsibility for procedural and technical issues. It is led by the Presidency of the Council which coordinates around 250 committees and related institutions. It is composed of the chief and deputy chief of the permanent missions of EU member states. COREPER divides into two Committees based on two main issues. All deputy chiefs of permanent missions sit on COREPER I which are responsible for technical issues. COREPER II consists of chiefs of permanent missions are responsible for political, economic and commercial issues.

Prior to the Lisbon Treaty, the Council of Ministers was the highest decision making institution in the EU (Council of the EU, 2008:6). The power of decision-making resides with the Council. The Council consists of EU member states which are responsible for making trade policy. It coordinates with the European Parliament to legislate EU trade policy towards ASEAN. It concludes trade policy by qualified majority decisions.

The European Parliament's role is to make decisions for legislative assignments (Eurofic, 2010:1). Before the ratification of the Lisbon Treaty, the European Parliament had little authority and competence in EU trade policy. It had limited power to control the process of making trade policy.

According to Article 238 of the Treaty of Rome, "The Community may conclude with one or more states or international organizations agreements establishing an association involving reciprocal rights and obligations, common action and special procedures" (European Commission, 1957:78). The further progress of EU integration created a common mandate for the Community to represent EU member states and to negotiate with other parties in the trade of goods. The Community should share its competence with EU member states for new issues of trade such as services and Trade-Related aspects of Intellectual Property Rights (TRIPs). Article 133 of the TEC is a basic foundation for trade policy within the EU and for the EU's negotiations with third parties.

The EU trade policy-making mechanism (Nugent, 1999:388 and Holland, 2002:141) begins when the Commission creates a proposal for trade policy. The Commission makes its proposal to the Article 133 Committee and, then, it is discussed by the Committee and Commission. Next, the Committee sends the

proposal to COREPER to be discussed and negotiated by EU permanent representatives. COREPER gives its assessment to the Council of Ministers which discusses, finalizes and decides a negotiating mandate for the Commission. The Commission (in consultation with the Article 133 Committee) brings its negotiating mandate to the table and negotiates with a third party (ASEAN) to establish a FTA. Finally, through qualified majority voting, the Council takes the final decision in terms of adopting, pending or cancelling an economic agreement between the EU and a third party (EUR-Lex, 2006:104). Generally but not always, most crucial external trade agreements are adopted with unanimity in their practical application (Bomberg *et al*, 2008:209). It demonstrates that the EU member states have an influence in the decision-making process of the EU's trade policy. However, the EU member states share their power and competence with the Commission. The Council consults the European Parliament only with regard to developing the EU trade policy. Before the Lisbon Treaty, it has no significant power to veto final trade policy.

The making of the EU's trade policy towards ASEAN involves related actors such as business groups and NGOs. The Commission consults in this way in order to gain input and understand the aspirations of non-state actors. Scholars have shown that the EU's external policies on economic issues were influenced more by business groups than by NGOs, for example, the domination of business interests in the EU (Bouwen, 2009:28); the knowledge and experience of business groups regarding trade barriers (Woll, 2009:293); and other related trade and investment affairs. The business groups have the power to influence the Commission, the Council and the European Parliament on the process of the EU economic policies. Coxall (2001:58) argued that, at the EU level, business groups were one of the most effective lobbyist organizations. NGOs enjoy, also, opportunities to lobby EU member states and EU institutions to accommodate their interests on human rights; development; trade; and environmental issues. However, so far, NGOs have had a limited effect on the final results of EU trade policy because of their high ambition; an overstatement of their campaign; and minimum public support for their EU trade policy (Dür and De Bièvre, 2007:97-98).

Bale argued that, sometimes in the initial stages, the Commission depended on pressure groups to provide suggestions and comments on policy initiatives. The reason why the Commission involved interest groups is because it does not have many staff to deal with extensive works and various responsibilities (Bale, 2008: 264). Bale (Ibid) and Coxall (2001:47-48) argued that interest groups could influence EU policy by approaching EU institutions, the Commission, the Council and the European Parliament either through direct lobby or through a coalition lobby with a Euro-group.

Regarding the representation of a Euro-group at the European level, Richardson and Mazey (2001:76) stated that: “Most significant interests in Europe have by now formed a Euro-association, no doubt partly reflecting the fact that there are few areas of public policy still unaffected by European legislation of various types”. I argue that, at the consultative stage, the EU institutions have accommodated aspirations from interest groups because this is a way for the EU institutions to gain legitimacy of non-state actors. To some extent, the EU institutions preserve symmetric interests among non-state actors in the development of the EU’s policy towards ASEAN.

### **3.2.3. The EU’s CFSP with respect to ASEAN**

The development of the EU’s policy towards the EU and ASEAN monitoring mission in Aceh was based on the CFSP. The EU created the CFSP after the Maastricht Treaty was ratified in 1992. This section explains the relevant actors and how they interact in the institutional arrangement of the development of the EU’s policy on CFSP.

The relevant actors, involved in the CFSP policy-making process, are as follows: firstly, EU member states are the most important actors in the CFSP pillar. They initiate proposals for CFSP. Secondly, the Commission can propose actions together with the EU member states. This collaboration aims to ensure consistency of direction between the European Community and the CFSP pillars. The Commission can make an initiative with the EU member states for CFSP actions; however, it does not have a right to vote. Through the Council, the EU member states have special power to decide CFSP policy. The majority of the CFSP actions have reflected the policies of the Presidency of the EU. The EU presidency constitutes a focal point in articulating and representing the EU when it communicates with outsiders. It has to

play a crucial role in policy making, in the CFSP pillar, by brokering compromises between member states (Smith, 2004:108-109). After the ratification of the Amsterdam Treaty in 1997, the EU created a new post of High Representative for the CFSP. This post had special tasks to assist the formulation; the preparation; and the implementation of CFSP. The aim was to establish a representative person of the EU who could discuss CFSP with a third party. Javier Solana, appointed by the EU in 1999, was the first High Representative for the CFSP (Europa, 2011a:1).

In June 1999, the European Council held a meeting in Cologne where it agreed to form military competence and to create the decision-making institutions (European Commission, 2011c:1). In December 1999, the Helsinki European Council created significant objectives. These objectives were, firstly, that the EU would be able to deploy its military forces within 60 days with a total number of 50,000–60,000 troops. Secondly, in third countries, the EU could deploy a civilian mission such as police mission, judge and prison officials (Council of the EU, 1999:2-3). In December 2000, the European Council held a meeting in Nice which agreed to the establishment of the organizational structure and bodies within the Council of Ministers in order to deal with European Security and Defence Policy (ESDP) (Council of the EU, 2000: Annex VI). The ESDP is an operational part of the CFSP.

Under the Maastricht Treaty, the CFSP's aims are:

To safeguard the common values, fundamental interests, independence and integrity of the Union; to strengthen the security of the Union; to preserve peace and strengthen international security; to promote international cooperation, and to develop and consolidate democracy and the rule of law, and respect for human rights and fundamental freedoms (Council of the EU, 2008:36).

With regard to the institutional arrangement in the development of the EU's policy on CFSP, the intergovernmental mechanism remains the dominant decision-making model. Where they have similar interests, the European Council agrees, by unanimity amongst the EU member states and the President of the Commission, to make common principles and guidelines for CFSP and ESDP. Common principles and guidelines cover the EU's aims and instruments in handling security and defence affairs (Council of the EU, 2008:38).

The Council of Ministers executes common principles and guidelines by selecting a mode of agreement such as Joint Actions or Common Positions. It can reach agreement through unanimity or qualified majority voting. The Council's final decisions are based on consensus-building and collective problem-solving. The final decisions and declarations are released by the Presidency and the High Representative for the CFSP. Joint Actions aim to implement operational actions which the EU takes in conflict areas such as Aceh. Common positions refer to the EU's position on specific issues based on themes (human rights and counter-terrorism) and geographical areas (the Middle East and Asia) (Smith, 2008:50-51 and Council of the EU, 2008:39).

As mentioned in the amended Title V (Article 23) of the Maastricht Treaty (EUR-Lex, 2006:19), an EU member state may oppose qualified majority voting, if its national interests will be violated. Qualified majority voting is not used if the final decision has military effects and implications. An EU member state may use constructive abstention in the decision-making without blocking the final decision. However, without any actions for against it, an EU member state should support the final decision of the Council (Europa, 2011a:1).

The Presidency of the Council rotates every six months within the EU member states. It deals with the CFSP matters and represents the EU's policy in the international arena. It is assisted by the CFSP High Representative who deals with the formulation; preparation; and implementation of the EU's final decisions (Council of the EU, 2008:38). The High Representative cooperates with other related actors in order to assist the formulation and the implementation of EU policy. These related actors who come from inside and outside the EU are able to influence relevant actors in the development of this EU policy. These related actors are the Commission and non-state actors (eg. Ahtisaari and the CMI).

Overall, the EU has various institutional arrangements with the involvement of relevant and related actors, based on policy areas and objectives; for example, its policies toward ASEAN. The relevant actors, in the development of the EU policies, were the Commission and the Council of Ministers/EU member states because of their competence to take initiatives and decisions on EU policies. Additionally, the High Representative assisted the Council in the preparation and implementation of

the ESDP in Aceh. In this regard, the related actors were the European Parliament and non-state actors who shaped the development of EU policies without any competence to decide them.

### **3.3. The Promotion of Interests or Values in the EU's Policy Development towards ASEAN**

I would like to give a definition of the interests and common values of EU's member states and the Commission in order to help the reader make a clear distinction between them. The interests of the EU member states and the Commission are the policy aims and principles of these actors, within the EU in the global political and economic system, which want to use its external policy to achieve those aims. Peterson and Shackleton (2002:12) argued that the main function of the EU's institutions was to integrate the EU member states' political interests. Landau and Whitman (1997:7-8) argued that, although there were failures amongst the member states to reach common interests on several crucial issues, the Commission had done well in its role as an initiator and mediator in achieving common interests within the EU.

Lucarelli and Manners (2006:10) defined "values as notions laden with an absolute positive significance for the overall order and meaning we try to give to our world". I argue that, collectively, values such as the principle of democracy; individual rights; and economic freedom make up a general understanding which, in some parts of the world, has a significant impact on community life and culture. These values inspired the EU and were translated into its policy foundations and decisions. Title I - article 2 and 3 of the Maastricht Treaty clearly states that: "The Union is founded on the values of respect for human dignity, freedom, democracy, equality, the rule of law and respect for human rights, including the rights of persons belonging to minorities. [...] The Union's aim is to promote peace, its values and the well-being of its peoples" (European Union, 2010b:17).

I defined interest and value as follows:

- \*. Interest is more associated with the causal material factor. Examples are something of obvious benefit to the EU member states and for the EU's interests like politico-security and economic interests.

\*. Whereas value is a more causal factor associated with non material. Common EU values can be seen in the promotion of human rights; the expansion of a liberal market economy; the promotion of democracy; and the rule of law.

Inter-regionalism can be explained by assessing the promotion of interests, values and/or the combination of both in the development of a regional organization's policy. The promotion of interests or common EU values is the second factor which needs to be considered in analyzing the development of the EU's policy towards ASEAN. Greenwood (2003:2) argued that EU policy-making was influenced by the interests of both member states and the institutions within the EU itself, for instance: when member states determined EU policy-making and integration. Moravcsik (1998:26) argued that economic political interests defined the formulation of EU policy. Howorth (2007:91) added that the EU security policy reflected the politico-security ambitions of EU member states. Acharya and Johnston (2007:17) added that institutions, established by liberal states, demonstrated particular values in their actions such as the promotion of democracy; the appreciation of human rights; and the use of humanitarian intervention.

I argue that the EU's main objective is to promote its interests, its common values and/or a combination of them which were formed into the EU's policy towards ASEAN. In the case of the relationship between the EU and ASEAN, it would be expected that interests, values and/or the combination both of them would be shown in different EU policy areas towards ASEAN. It is necessary to understand the nature of different EU policy areas in order to identify the interests or values which drive each particular EU policy.

The promotion of the EU's interests or values was shaped by the institutional arrangements and relevant actors involved in the development of the EU's policy towards ASEAN. The institutional arrangements and relevant actors were linked to the promotion of interests or values which were translated into the EU's policy towards ASEAN. The promotion of interests or values can be seen by considering a regional organization's different policies based on different areas/pillars and the diversity and involvement of relevant actors. Börzel and Risse (2004:2-3 and 15) argued that, in the system of the EU's governance, both the decision-making process and the implementation of democracy promotion involved cross pillars and various

actors. Their work focused on promoting democracy which included human rights; the rule of law; and good governance towards mainly ACP states and, in the 1990s, in the East European countries; the New Independent States; and the Mediterranean countries. It is a crucial fact that the development of a regional organization's policy towards other regions is linked closely to the promotion of the relevant actors' interests or values.

Relevant actors shape and determine the process of developing the EU's policy in order to promote their interests. The EU's political, security and economic interests came originally from the EU member states or the EU's institutions. Within the different areas of policy development, these interests can be understood by considering the interaction of competing interests and the distribution of authority. Therefore, outcomes are achieved through compromise or consensus between interests (McCormick, 2008:109-110). Their interests are reflected in the EU's inter-regional policy towards ASEAN.

Common EU values can be seen in its treaties' principles which have been agreed by the EU member states. The EU has influenced, in a general way, other regions through the promotion of its values. The aim of an EU action is to influence other regions by adopting its own values. Manners (2002:252) argued that the EU could be seen as a normative power which, in the world system, spread and shared its principles and norms. He identified peace and liberty; democracy; human rights; rule of law; and good governance as the EU's core principles and norms (Ibid, p.243). In the EU, the relevant actors are guardians of the promotion of the common EU values to other regions such as ASEAN. These relevant actors would like to incorporate their common EU values within the EU's policy towards ASEAN. For example, the European Security Strategy mentions clearly that the EU is more secure, if the world applies the principle of democracy. The way for the EU to create a safer world and to strengthen global governance is through, as its essential elements, the promotion of democracy; good governance; and human rights. The strength and effectiveness of the EU's external partners (such as ASEAN, Mercosur and the Andean Community) shape the global governance (Council of the EU, 2003a:9-10). Since 1999, the EU has paid more attention to promoting its common values to the East European countries; the New Independent States; and the Mediterranean countries with various



policy instruments, such as political dialogue, association and stability agreements and capacity building regarding the issues of democracy and human rights (Börzel and Risse, 2004:26-28). The EU emphasizes that its common values are included in its inter-regional cooperation policy with South-East Asia (European Commission, 2003a:14-16).

Interestingly, the promotion of values can be seen as a two-edged sword. On the one hand, it is rational that the EU wishes to share its values with other regions in order to achieve better understanding with its external partners. On the other hand, the external partners are unlikely to accept these common EU values if they are imposed on the inter-regional relationship. The different values between the EU and its external partners are crucial matter to be considered and understood by both parties if the negative effects to their cooperation are to be avoided.

The inter-regional relationship is shaped and influenced by the model of agreement and, also, by ASEAN's reception to the EU's policy. The EU may alter its position on interests and values in order to engage with other countries/regions in the interdependent world (Wissenbach, 2009:1). In creating and building inter-regional policy towards ASEAN, the EU should promote its interests or values carefully. I consider each of the EU's policies toward ASEAN which were linked to the promotion of interests, common EU values and/or a mixture of both of them.

#### **3.4. Different Modes of Engagement between the EU and ASEAN: Consultation, Negotiation and Monitoring**

The development of the EU's policies towards ASEAN changed over time as its mode of engagement with ASEAN varied between consultation, monitoring and negotiation. In the development of the EU's external policy, it is crucial to include the external partner affected by the EU's policy. We need to incorporate the process and dynamism of the development of the EU's policy and its external partner's aspirations in an interactive process of consultation or negotiation. There are two reasons to support this perspective which are: firstly, the EU needs, in the process of its policy development, to translate, assess and link its external partner's aspirations to its main objectives. Secondly, the EU and its external partner would exchange and discuss their aspirations in a process of interaction which might shape the outcomes of the EU's policy development.

With regard to inter-regional cooperation, I define that mode of engagement as a channel of interaction implemented by one regional organization towards another regional organization. A regional organization's aim, in applying various modes of engagement towards other regions, is to share their interests and values; to resolve their differences; and to attain their common objectives. Therefore, these two regions can manage, through adjustment of their modes of engagement based on their need and consent, specific issues such as political and economic challenges which arise within the broader context in which they operate. I propose that the principal modes of engagement are consultation; negotiation; and monitoring. The process of developing EU policy was influenced by its external partner's aspirations (eg. ASEAN) which were advocated via different modes of interaction.

I give definitions of consultation; negotiation; and monitoring in the political process in order to make a clear distinction amongst these different types of interaction. UN (1992:10) explained that, by using exchange of views, consultation was a process of settlement of disputes between two parties. Hu (2009:8) added that, in order to manage conflict between two parties, consensus was achieved by both parties before any official decision was ratified. I argue that, in the context of international cooperation, consultation between the EU and ASEAN can be categorized as one means of communication. Consultation can be seen as a process of discussion between two regional organizations in order to achieve a consensus and understanding in the pursuit of their mutual interests and common objectives on political, economic and other dimensions of cooperation. These organizations solve their problems or differences based on a consensus method. For example, the EU consulted ASEAN countries about its role, as a monitoring agency, in monitoring a peace agreement between GoI and FAM. The EU and ASEAN countries exchanged views and aspirations in terms of incorporating them into the development of the EU's policy on CFSP.

Manzur (2010:5) argued that:

International negotiation is an interactive process serving as an instrument to prevent or end conflicts of interest, as well as to solve controversy. It may also serve as a means to achieve common objectives or agreements among individuals or groups (parties) in relation

to a specific object, material or immaterial, within a framework of pre-established rules, known and accepted by the parties involved.

Druckman (2007:112) explained that there were many kinds of international negotiation, e.g. peace negotiations and inter-regional trade negotiations. International negotiation consists of exchanging communications between two or more parties in a bilateral, trilateral or multilateral framework. It discusses important issues which impact on a national, regional or international situation. In the negotiation process, these parties use an offer-counter offer bargaining method (Avenhaus and Zartman, 2007:9). Hoekman and Vines (2007:317) argued that trade negotiations might pursue integrative bargaining which sought mutual gain between both parties.

I argue that the international negotiation between the EU and ASEAN is a process of interactive-bargaining between both parties in order to reach collective agreements (the best outcome for each side) on the various aspects of cooperation such as political, economic and socio-cultural aspects. The EU and ASEAN should agree to the framework of cooperation based on rules and regulations accepted by both parties. The negotiation between the two regions can reach a compromise for final outcomes amongst them. For example, the EU and ASEAN held several negotiations between 2007 and 2009 in order to establish an ASEAN-EU FTA.

With regard to monitoring, Boulden (2000:1) argued that monitoring could be divided into the following two areas:

1. *monitoring*, which can be either highly generalized or highly directed actions to gather information, and
2. *verification*, the process by which compliance of the parties to the terms of accords is judged.

Ouellet (2003:1) argued that monitoring was an important part of the ability to enforce an agreement. Ouellet (Ibid) continues by adding that monitoring could be divided into the following three levels of involvement:

- At the lowest level, *observation*, we have pure passive watching and inspection. At this level, monitors lack the mandate to judge the actions of the parties being monitored; they simply observe what is going on.
- As involvement increases, monitors will begin to judge, to verify compliance with the treaty. In this situation, parties may not only

observe actions in relation to the agreement, but also judge and report violations. This is *verification*.

- The last level, one that Boulden does not refer to, is *enforcement*. At this level, monitoring of an agreement involves not merely observing and compliance with the treaty, but also enforcing of the agreement through positive and negative incentives.

I wish to give my definition of monitoring which is a process of an institution's competence and capacity to oversee the agreement. In the case of the EU and ASEAN about the AMM, the EU and ASEAN monitored jointly the implementation of Memorandum of Understanding (MoU) between GoI and FAM. They established the AMM whose main role was as a monitoring institution in the two levels of involvement: verification; and enforcement. In order to be watchful on all the peace agreement's points and procedures, the AMM focused its works on verification and enforcement of a peace agreement between conflicting parties. It monitored the decommissioning and redeployment of troops between GoI and FAM. Subsequently, it monitored the implementation of aspects of MoU which related to amnesty; reintegration; and human rights (Council of the EU, 2005a:13-16).

How is the mode of engagement relevant to the development of inter-regionalism? Inter-regionalism cannot be agreed and developed by both regions, if there is no mutual interaction between them. The process of interaction between two regions can give us a comprehensive picture of a regional organization's development of policy. The interaction between two regional organizations can explain the process of sharing and exchanging information between them in order to formulate a mutual policy and to strengthen their cooperation.

In their process of interaction, a regional organization selects and employs various modes of engagement such as consultation; negotiation; and monitoring with another regional organization. These modes of engagement are the political and diplomatic ways by which a regional organization communicates its objectives and absorbs aspirations from another regional organization. A regional organization can understand and accommodate the aspirations of another regional organization in terms of developing its inter-regional policy. This situation leads to effective cooperation between two regional organizations. Therefore, the mode of engagement contributes to the development of inter-regionalism.

In practice, the EU applied, usually, a consultation mechanism as its mode of engagement with ASEAN. Both regions used this mechanism as a model to communicate and share their aspirations for cooperation. However, in the last several years, there was a change in the way in which they engaged. The EU employed not only a consultation mechanism but, also, it applied monitoring and negotiation mechanisms in engaging with ASEAN. Commission official A argued that: “It is true there has been a shift in policy that was mainly consultation. We were talking about many things but basically just talking. It is true that we recognize consultation is good. Then, it changes to something more concrete, which is negotiation”.<sup>10</sup>

Commission official C added a monitoring mechanism as another mode of engagement by saying that: “The other thing that I want to mention is an innovative monitoring approach. Monitoring usually means stay out of the process. We thought that this is okay but may be it is not enough. Therefore, the Head of AMM proposed a concept a bit more proactive”.<sup>11</sup>

Through the empirical analysis in Chapters 4 to 6, I connect the development of the EU’s inter-regional policy to various modes of engagement. These various modes of engagement are consultation; monitoring; and negotiation. The EU deploys these various modes of engagement in a process of interpreting and incorporating the aspirations and objectives of its external partners in a way which is compatible with its aims. ASEAN does similarly. Studying the deployment of these modes of engagement produces a richer and more various understanding of the interaction of two regions.

### **3.5. The Level of Integration within the External Partner**

The development of the EU’s policy is expected to be influenced by the level of integration of its external partner. I define the external partner’s level of integration as a stage of regional integration which was achieved by the EU’s external partner in the context of their cohesiveness and coherence of political, economic and socio-cultural integration. I propose, within regional organizations and in order to make clear distinctions between them and to understand their stage of regional integration,

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<sup>10</sup>Interview with official A, the European Commission, Brussels, 21 March 2011.

<sup>11</sup>Interview with official C, the Commission, Brussels, 31 March 2011.

a typology of the level of integration based on their developments of regional integration.

I developed a typology for the level of integration in a regional organization which could be identified as being of three main types: namely, a loose regional inter-governmental cooperation; a solid regional inter-governmental cooperation; and a deeper regional integration. The first type, a loose regional inter-governmental cooperation, is a weak type of integration level. This type of integration is a very basic level of integration which is only a meeting forum for its member states with the lowest level of coordination in selected areas such as trade and investment cooperation. The South Asian Association for Regional Cooperation; ACP states; and NAFTA are examples of a loose regional inter-governmental cooperation.

The solid regional intergovernmental cooperation is a soft regionalism which has a medium level of integration with main pillars of integration in various elements of cooperation such as political and security, economic and socio-cultural. This type of integration level employs still an inter-governmental framework in their cooperation. ASEAN is an example of a solid regional intergovernmental cooperation.

Lastly, the deeper regional integration is the third type of integration level which has deeper regional integration at the political, economic and socio-cultural levels. This type of integration level is the pooling of member states' sovereignty and establishing supranational institutions at the regional level. The EU is an example of a deeper regional integration project.

In the case of the relationship between the EU and ASEAN, there are different levels of integration. The level of the EU's regional integration is deep. However, the level of ASEAN's integration is a solid regional inter-governmental cooperation. They have different perspectives on understanding the aspirations of their external partner. The EU has practices, institutionalized standards and common governance system which were employed within its regional framework. The EU promoted a regional integration model as its policy (Farrell, 2007:300) in order to share its standards and regulations when it establishes cooperation agreements with other regions. The EU improves its inter-regional relationship with other regions when

these regions follow its requirement in improving their intra-regional institutional identity (Aggarwal and Forgaty, 2004:236).

However, ASEAN furthers its integration because it responds to political and economic challenges in the South-East Asia region, for example: the economic development within ASEAN countries; and the preservation of security and the improvement of economic activities in the region. Comparatively, the EU has developed into a supranational organization with strong institutions and solid power. The EU has evolved and developed by pooling sovereignty amongst the EU member states. However, compared to the EU, ASEAN has had a different aim of regional integration. ASEAN countries do not pool their sovereignty. ASEAN is not a supranational organization but rather it is an inter-governmental organization. In terms of developing its regional integration, ASEAN regional integration has taken a different path than that of the EU. ASEAN has incorporated a soft regional integration: there is no supra-national body but they seek to harmonize policies inter-governmentally. It preserves a consensus based decision-making system and, to some extent, observes the national sovereignties of its members. The EU regional experience may become an inspiration for ASEAN rather than a requirement of their relationship.

From the explanation above, an important difference between the EU and ASEAN is their level of integration. Since 1992, the EU has had a progressive regional integration in terms of the creation of supranational institutions and power distribution among relevant actors. The EU has moved to a coherent and cohesive regional organization because all EU member states have taken the decision, in terms of political, security, economy and socio-cultural policy, to strengthen its organization and deepen its regional integration. Compared to ASEAN, the EU has a deeper regional integration.

However, ASEAN has continued to struggle with its regional integration which can be divided into two periods of time, namely, before and after 2003. Before 2003, the EU considered that level of integration within ASEAN was quite low because, as a preliminary stage of regional economic integration, ASEAN focused on its free trade area. ASEAN aimed to eliminate tariff barriers and to establish a regional market within South-East Asia (ASEAN Secretariat, 2002a:1). Balassa (1961:1-3)

and Cuyvers (2002:1-2) argued that there were four stages of regional economic integration which were as follows: the first stage was the creation of a free trade area within the region. The second stage was the establishment of a customs union which led to a common external tariff for non-members of the regional organization. All member states of a regional organization would act together for an international trade agreement towards non members of the regional organization. The third stage was the creation of a common market which was more progressive when compared to a customs union. A common market eliminated all trade obstacles to a free flow of labour and funds. The fourth stage was the creation of an economic union which united economic policies and institutions within a regional organization's member states.

After 2003, ASEAN consolidated its efforts at regional integration which I refer to as the ASEAN's developmental transformation. In 2003, ASEAN countries committed to integrate themselves through the development of the ASEAN Community in 2015. The ASEAN's developmental transformation was considered as ASEAN's transformation from a loose to a solid regional inter-governmental cooperation. It focused on internal developments within ASEAN. These ASEAN internal developments were as follows:

- (1) The creation and realization of the ASEAN Community as grounds for ASEAN's regional integration. ASEAN attempted to reduce the disparities in development among its countries.
- (2) The formulation and ratification of the ASEAN Charter as a legal foundation for ASEAN.

Therefore, the EU recognized that ASEAN was continuing to develop its own regional integration. In order to meet the EU's objectives, the EU tended to support ASEAN regional integration and to improve the level of standard and capability of ASEAN.

After 2003, ASEAN began to develop its regional political and security integration. Also, at that time, the level of ASEAN's political-security integration was low. The level of political and security integration took two forms: the strong and the weak politically; and security integration. The strong form of political integration was related to "the constitution of new political entities which have a



certain degree of independence in regard to individual states” (CRIS, 2010:1). The weaker form of political integration was related to “co-operation between states and formations of state-based regimes” (Ibid).

Political and security integration had implications for harmonizing a regional organization’s political structure and for improving the capacity of the decision-making system (particularly the politico-security policies). The normative aspect of political and security integration was the creation of a political community (CRIS, 2010:1). In this thesis, the strong form of political integration is related to deeper regional integration. The weaker form of political integration is associated with solid regional inter-governmental cooperation.

The different levels of integration between the EU and ASEAN created different perspectives and ambitions between both parties. The EU had a high expectation of progressive inter-regional cooperation with ASEAN. The EU had different level of expectation and standard for its cooperation with ASEAN. The different level of integration reflected the degree of the regional organization’s coherence and cohesiveness in terms of institutional frameworks and distribution of power. Compared to ASEAN, the EU has a strong and solid institutional framework and distribution of power. However, ASEAN has a soft institutional framework and is a less powerful organization because its member countries have limited its institutional framework and power. These situations influenced the process of the development of the EU’s policy and interaction between the two regions. For example, for a FTA the EU and ASEAN had different level of ambitions and capabilities. They had different expectations regarding the structure of their agreement; the sectors to be covered; and the rules and regulations within an ASEAN-EU FTA.

The EU has taken this different level of integration as another factor in explaining its interaction with ASEAN. Commission official A stated that: “There may be another element to take into consideration which explains the interaction between these two regions; namely the level of integration within each region. How this has been evolving with regard to the institutions concerned is illustrated in our history of integration based on institutions”.<sup>12</sup>

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<sup>12</sup> Interview with official A, the Commission, Jakarta, 4 August 2010.

The relevance of the level of integration to inter-regionalism can be understood by considering the development of the EU's policy. An inter-regional relationship can work effectively within two regions, if, between the two regions, there are similar understandings and views on various elements of cooperation. The inter-regional relationship is affected by the external partner's level of integration. Especially in the process of policy development, a regional organization's policy makers may take into account its external partner's level of integration. Commission official A argued that:

This [level of integration] also has an impact on the two regions that are interacting. In ASEAN the same thing applies, there is development in the integration and institutionalization even though much less than in the EU. For example, the new ASEAN Charter and [...] the Committee of Permanent Representatives (CPR) are the developments on the ASEAN side. There is an idea about a single community in 2015 that will be a single rules based and an AFTA.<sup>13</sup>

Council official A added that the level of integration within ASEAN was important, when the EU began to formulate its policy towards ASEAN.<sup>14</sup>

Overall, within the framework of inter-regional cooperation, the external partner's level of integration is a relevant factor to be considered by a regional organization in achieving common agreement with its external partner. Especially when it develops its policies towards ASEAN, the EU may take the level of ASEAN's integration into account in terms of reaching the lowest common understanding between both regions. The level of regional integration of the EU's external partner matters in the EU's development of policy.

### **3.6. External Pressures and Opportunities in the EU's Policy Development towards ASEAN**

The external pressures and opportunities influenced the making of the EU's policy towards ASEAN. According to Bretherton and Volger (2006:24), the opportunities refer to the external events which contribute to EU action. The EU institutions and its member states might use the external situations and external actors to shape EU policy (Smith, 2006: 393-394). I argue that, in defining the

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<sup>13</sup> Ibid.

<sup>14</sup> Interview with official A, the Council of the EU, Brussels, 30 March 2011.

external pressures and opportunities, various factors from ASEAN and outside the EU had significant and direct effects on the process of its policy-making. Both external pressures and opportunities together influence and stimulate directly or indirectly the internal and external factors to interact when the EU develops its policy toward ASEAN.

The relevance of external pressures and opportunities and inter-regionalism can be seen, in the globalized world, from the relationship between political and economic interdependence and inter-regional cooperation. Globalization has encouraged nation states, international organizations, regional organizations and non-state actors to work together in tackling common challenges such as economic interdependencies; terrorism; and environmental protection. It has increased amongst actors the level of competition and interdependence.

The interdependence of the world has stimulated the mutual need of the EU and ASEAN to build a closer relationship. Burchill (2009:68) argued that the period of the independent and self-sufficient state was over. There is an economic interdependence amongst international actors which motivate them to co-operate with each other in the international system in order to gain advantages and avoid disadvantages. Jackson and Sørensen (2007:107) added that this situation reflected a co-operative world of international relations. Rosecrance (1985:24-31) and Burchill (2009:68) argued that, rather than military competition, trade and investment cooperation could be one alternative way to provide incentives to international actors.

I argue that, in inter-regional cooperation, the regional organization calculates that the geo-political situation and external political economy are significant elements. Inter-regional cooperation is an alternative means of international relationship between regional organizations in order to improve their benefits and include them in rapid developments within the global economy. These elements explain how external pressures and opportunities are linked to the policy development of a regional organization such as the EU.

Taking into consideration external factors, I identified external pressures and opportunities which influenced the EU's policy towards ASEAN. The external pressures and opportunities can be divided into two general elements of inter-

regional cooperation: the geo-political situation; and the external political economy. These elements may have a significant effect on inter-regional ties.

In inter-regional cooperation, the geo-political situation is a crucial element. The preservation of peace and stability, in the South-East Asia region, is an important political and security issue for both the EU and ASEAN. The EU understands that, in Aceh, peace would contribute significantly to safety and stability within the region. In the case of Aceh, the external opportunities for the EU were the willingness and readiness of GoI and FAM to resolve the conflict in a peaceful way and the absence of the UN as monitors. However, the external concerns, on the part of GoI with regard to the EU and ASEAN monitoring mission, were the internationalization of the Aceh issue and the international interference in Indonesian domestic affairs. In order to monitor the peace agreement in Aceh, the EU offered a different security approach to Indonesia and ASEAN. The EU and ASEAN applied their civilian mission in Aceh. This situation created a new geo-strategic position for the EU which was involved in South-East Asia. Consequently, in the wider context of the Asian region, the EU included ASEAN and Indonesia amongst its geo-strategic priorities (European Commission, 2003a:12). According to Commission official B, "Indonesia will now become a strategic partner. All of that is based on that strategic approach and also based on the big success in Aceh, it was a very big success for us and we saw that it was a success for all of us. The EU was to be involved in that".<sup>15</sup>

The external political economy element consisted of external pressures and opportunities which influenced the development of the EU's policy. They were related to economic and trade matters which were overshadowed by political issues such as, firstly, the emergence of bilateral and regional trade initiatives in the South-East Asia region because of the USA's greater involvement; and the rise of China in the region. Secondly, the external pressure and opportunity for the EU namely the creation of a FTA with ASEAN, resulted in the failure of multilateral trading negotiations under the Doha Development Round at the WTO; ASEAN's significant role in the East Asia region; and the inclusion of Myanmar into ASEAN and EU free trade negotiations.

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<sup>15</sup> Interview with official B, the Commission, Brussels, 25 March 2011.

The emergence of bilateral and regional trade initiatives, in the South-East Asia region, strengthened economic co-operations between ASEAN and its crucial external partners. This situation was caused by the USA's greater involvement and the rise of China in the region. In order to anticipate the rapid development of the South-East Asia economy, the EU shifted its priorities by employing inter-regional cooperation as a framework for its external political economy. The deadlock of the WTO Doha round negotiations created a significant change to the EU's external economic approach. The EU shifted its focus from a multilateral to an inter-regional/bilateral basis (European Commission, 2006a:10-12). The EU started to negotiate FTAs with regions/countries in order to secure its economic interests and to counterweigh the increasing Chinese economy in East Asia. ASEAN's role in East Asia is becoming important because of the evolution of the EAS and the involvement of major countries in this forum. In order to foster the process of regionalism in East Asia, ASEAN has played a crucial role as a driver amongst other major countries. However, Myanmar's participation in ASEAN and EU free trade negotiations has resulted in the EU and ASEAN adopting different positions.

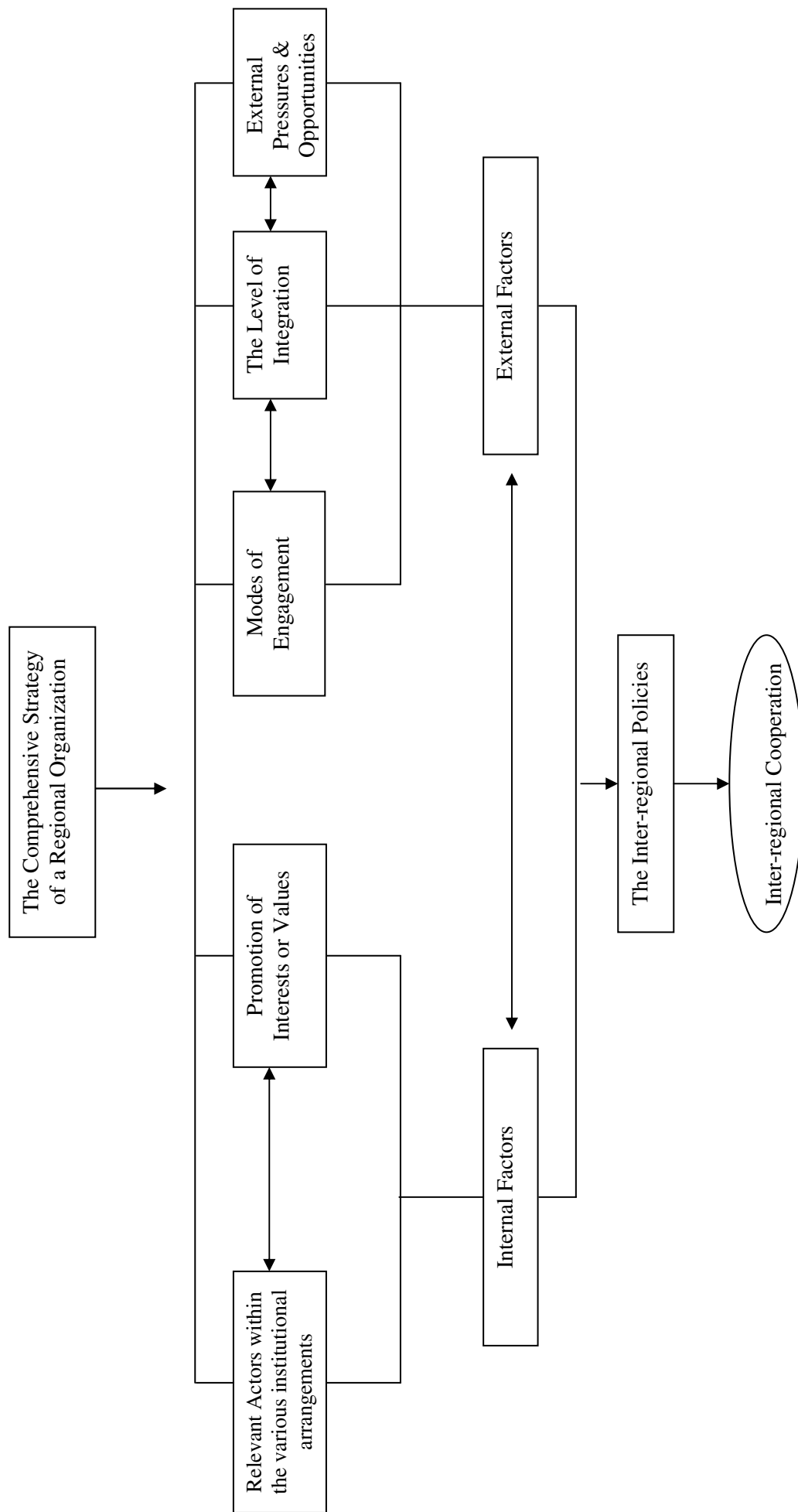
The EU considers these external pressures and opportunities as relevant factors which influenced its policy development. Commission official B argued that these pressures and opportunities were crucial factors which the policy makers, within the EU, needed to take into account. This person pointed out that: "We felt we had interests to be defended based on certain factors, such as the rise of China and the USA's external policy toward the South-East Asia region. These external pressures were very important. These are key factors".<sup>16</sup>

The following Figure 3.1 shows a provisional conceptual framework for analyzing policy development.

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<sup>16</sup> Ibid.

**Figure 3.1**  
**The Provisional Conceptual Framework for Analysis of Policy Development**



Note: This model demonstrates how a regional organization creates an inter-regional policy towards other regions and the factors affecting policy development.

### **3.7. Conclusion**

The EU's policy development towards ASEAN and the relationship between the EU and ASEAN can be explained by relevant factors which may be employed as a provisional conceptual framework. The reasons for selecting these factors were: firstly, I needed to employ these factors to analyze the rationales of EU policies to ASEAN within specific policy areas. These would assist me to identify the importance of these factors in the development of EU policy. Secondly, these factors helped me, across cases, to develop, over time, the pattern of EU's policy toward ASEAN. Thirdly, I have to consider the extent to which the formulation of the EU policy and its outcomes would have consequences for the relationship between the two regions.

Before 2001, the relationship between the EU and ASEAN had not grown sufficiently since their economic and political aspirations were only partially fulfilled (Holland, 2002:64). Since 1980, the economic relationship between the EU and ASEAN has been a cornerstone in their inter-regional ties.<sup>17</sup> Until the 2000s, the politico-security relationship had not been a priority in their ties. Since 2001, the EU has developed further its relationship with ASEAN. It has shown its good will toward South-East Asia by launching its new partnership with ASEAN; supporting the peace process in Indonesia; and initiating an EU-ASEAN FTA. Chapter 4 explains the first case study which is that of a new partnership with South-East Asia.

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<sup>17</sup> See Appendix 7.

## **CHAPTER 4**

### **CASE STUDY A NEW PARTNERSHIP WITH SOUTH-EAST ASIA**

#### **4.1. Introduction**

It has now been more than 30 years since, on 7 March 1980, the EU and ASEAN signed their cooperation agreement. Recently, between 2001 and 2010, there were significant developments in the relationship between the EU and ASEAN. The EU changed its policy and began to build deeper and closer cooperation towards ASEAN. In order to strengthen the relationship, it established an umbrella policy known as ‘a new partnership with South-East Asia’. It increased its political and economic cooperation, and support for regional integration.

This chapter’s objective is to explain the development of the EU’s policy for a new partnership with South-East Asia. It is divided into four sections. The next section presents a comprehensive picture, from policy initiative to policy outcome, of this EU policy mechanism towards South-East Asia. In the third section, I employ my conceptual framework to examine this EU policy in order to obtain a clear explanation about the relevant factors which influenced the development of this EU policy. The final section is a conclusion.

#### **4.2. A New Partnership with South-East Asia**

In the EU’s 2001 comprehensive strategy on Asia, the Commission emphasized that the relationship between the EU and ASEAN was a corner stone in the relationship between Europe and Asia in the context of political and economic cooperation (European Commission, 2001b:22). The Commission wanted to develop a new partnership with South-East Asia. The European Parliament (2002:478) supported the initiative of the Commission by saying that: “the European Parliament has continued to press for upgrading on the EU-ASEAN Cooperation Agreement which has been blocked since the early 1990s”.

The Commission and the ASEAN Brussels Committee (ABC) held preliminary meetings to exchange ideas and opinions about the development of a new partnership between the EU and ASEAN. Their preliminary meetings were held in November 2001 and March 2002 in Brussels (ASEAN Secretariat, 2002b:123-124).



In 2003, political, security and terrorism issues attracted a great deal of attention from the international community following 11 September 2001. The geo-political situation, in Asia, encouraged the EU to include political, security and terrorism issues as one of the priorities in its Communication paper (Wiessala, 2003:1-4). The October 2002 bombing in Bali and the August 2003 bombing in Jakarta's JW Marriot Hotel were concrete examples that led the EU to believe it needed to develop its security cooperation with ASEAN more closely. The EU shifted its perspective and strategic policy to pay more attention to peace and stability in South-East Asia.

The Commission's communication paper sketched, also, in the context of economic ties, the advancement in the relationship between the EU and ASEAN. The Commission realized that ASEAN had the vision and purpose to achieve ASEAN's regional integration and to improve its economic relationship with the EU. The Commission projected that its communication paper constituted a new EU approach in engaging with ASEAN. The European Commission's (2003:3-4) approach focused on the development of the trade framework between the two regions; the sharing experience of the EU's efforts to develop ASEAN's regional integration (eg. the ASEAN Programme for Regional Integration Support/APRIS) further; and the potential outlook for bilateral ties with ASEAN countries.

When the EU developed this communication paper, the Commission had coordinated already the Council of Ministers and the European Parliament within the EU. In the next section, I explain the interaction between the above actors which led to the establishment of this EU policy. On this point, I outline briefly the content of a New Partnership with South-East Asia, which consisted of the following six strategic priorities (European Commission, 2003a:14):

1. Supporting regional stability and the fight against terrorism;
2. Promoting human rights, democratic principles and good governance;
3. Mainstreaming justice and home affairs issues;
4. Injecting a new dynamism into regional trade and investment relations;
5. Continuing to support the development of less prosperous countries;  
and
6. Intensifying dialogue and cooperation in specific policy areas.

The European Commission (2003a:19) released the Trans-Regional EU and ASEAN Trade Initiative (TREATI) as a regional action plan to foster trade and

investment cooperation between the EU and ASEAN. TREATI was a part of a new partnership with South-East Asia. It aimed to involve all ASEAN countries in this framework in order to improve the trade knowledge and capability of ASEAN's producers and importers with regard to the EU's trade structure and regulations. It aimed, also, to create a flexible framework for ASEAN countries by choosing programmes, related to trade and investment issues such as standards for the industrial sector; agricultural standards; trade and environment; common customs mechanisms; competition policy; investment regulations; services; and sanitary and phytosanitary issues (European Commission, 2003a:31-32). There were four phases to the EU-ASEAN economic dialogue. The first phase consisted of confidence-building dialogue amongst participants and the elaboration between both parties of common and different positions. Afterwards, they identified related challenges and potential areas for cooperation. Subsequently, they would be able to build economic commitments between both regions. Finally, in order to integrate with the EU and ASEAN inter-regional framework, each of the ASEAN countries could make its own time schedule, plans and implementations of various activities. The TREATI's future objective is to support ASEAN countries in their implementation of their trade instruments and application of investment regulations to build an ASEAN-EU FTA (Ibid).

Dhannan Sunoto, former Director of External Relations from the ASEAN Secretariat (from August 1996 to April 2009), argued that:

The EU formed TREATI because of FTA. At that time, Commissioner Pascal Lamy's principle on economic integration was that the EU would never be able to have an FTA with ASEAN as far as ASEAN still had different levels of development. TREATI was a mechanism to try, amongst ASEAN countries, to raise the level which was lower in order to come up to at least a certain median level of economic development.<sup>18</sup>

Chris Patten, the External Relations Commissioner of the Commission, in his speech at the launch of the Commission's communication paper, stated that: "Economically South-East Asia is set to become one of the most dynamic growth areas in the world economy and the EU wants this to be reflected in its trade relations" (Singapore News, 2003:3).

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<sup>18</sup> Interview with Dhannan Sunoto, the ASEAN Secretariat, Jakarta, 26 August 2010.

Furthermore, he added that: "Asia is always high on my personal agenda, and our new Communication shows how much importance the European Commission attaches to our relationship with the region. [...] There are many areas where we could collaborate more: security, human rights, regional integration and new technologies" (Europa, 2003:1). It meant that this communication paper reflected, on the part of the EU, the economic and political/security interest and values to engage with ASEAN.

This section has demonstrated the brief background and content of a new partnership with South-East Asia. The EU employed a policy instrument to extend economic and political relationship; and to assist economic development in ASEAN countries. This communication paper aimed to upgrade its cooperation with ASEAN which, in the late 1990s, was impeded by the East Timor crisis and the Myanmar issue. Next, I examine the factors explaining the development of this EU policy.

### **4.3. Analysis of a New Partnership with South-East Asia**

#### **4.3.1. The Relevant Actors in the EU's Policy Development for a New Partnership with South-East Asia**

The Commission and the Council are the relevant actors of the EU's inter-regional cooperation policy. The Commission has the right to initiate a draft of a new partnership with South-East Asia. It should get an approval from the Council and, also, in order to conclude a new partnership with South-East Asia, the assent of the European Parliament.

The Commission is a leading and coordinating institution in the development of this EU policy. The Commission shares its power together with the Council. However, it has the authority to coordinate the whole process from policy initiative to the actual release of policy. It created the draft of communication paper for South-East Asia. In order to frame and shape the draft of the communication paper, it had an authority to draft legislation and consult with outside interests (Greenwood, 2003:30-32 and 39-42).

The role of the European Parliament was not too significant in the development of this EU policy (a related actor) since the Parliament would be involved in budgetary matters and the implementation framework.

The Council has full decision-making powers at the final stages of the policy development process. It consists of the EU member states which have a primary role in the decision-making process on the EU's policy (Greenwood, 2003:32). Their main expectation was that their interests and values would be reflected in the Commission's communication paper (Council of the EU, 2004:2-6). The next section discusses the interests and values of the EU and its member states.

However, at this point, I outline how and, to what extent, the above actors were involved in the institutional arrangements for the development of this EU policy. The 1980 EEC-ASEAN Cooperation Agreement and, in 2001, A Strategic Framework for Enhanced Partnership between Europe and Asia were both cooperative foundations and a strategy for the Commission to engage with South-East Asia. The Cooperation Agreement highlighted only the economic and trade relationship between both parties. The Commission hoped that a new partnership with South-East Asia would encompass various areas of cooperation from their original Cooperation Agreement which included, also, human rights and democracy (European Commission, 2003a:5-6). The legal basis, for this EU policy, is Council Regulation No 443/92 (EUR-Lex 1992a:1) on financial and technical assistance and economic cooperation with the developing countries in Asia and Latin America.

In the case of the development of the EU's policy, the Commission started, on the night of the 14<sup>th</sup> ASEAN-EU Ministerial Meeting, on 27 January 2003 to discuss the intention and ideas of its communication paper regarding South-East Asia (Council of the EU, 2003b:1). The Commission collected the aspirations and interests of ASEAN and, thereby, enabling them to prepare and formulate the draft of the Commission's communication paper. On 18 March 2003, it started inter-service consultations between the Directorates General Trade and External Relations. The inter-service consultations are a process of discussion between related bodies within the Commission with regard to formulating a draft of the Commission's communication paper regarding ASEAN. The Commission explained that, generally, the duration of these consultations was short. However, the Commission's communication paper regarding ASEAN took longer because the EU was focusing on the situation in Iraq (Europe, 2003a:14). The inter-service consultations aimed to identify general interests and aspirations such as trade and investment initiative;

development aid; and support for regional integration (Ibid) in order to insert them into a draft of the Commission's communication paper. The Commission consolidated all aspirations from its first consultation with ASEAN and the inter-service consultations within the Commission. The Commission came up with its idea and intention for a communication paper which consisted of political, economic and development aspects of cooperation (Council of the EU, 2003b:2). However, rather than the other aspects of cooperation, the economic aspect was the most crucial matter (Ibid, p.3).

Pascal Lamy, the Trade Commissioner of the Commission visited, for a week from 31 March to 5 April 2003, some countries in the South-East Asia region to discuss Commission paper with ASEAN economy ministers (ASEAN Secretariat, 2003a:1). In the next section, I explain the detailed consultation process between the Commission and ASEAN. Meanwhile, on 8 April 2003, the Commission held an inter-service consultation with the President of the Commission, Trade Commissioner, External Relation Commissioner and other related Commissioners within the Commission (European Commission, 2003b:19). They discussed several concerns of ASEAN countries which were considered to be included in the draft of the Commission paper. The Commission approved, on 9 July 2003, the draft of its communication paper (European Commission, 2003c:19). In order to obtain approval before the middle of 2003, the Commission submitted the draft of its communication paper to the European Parliament and the Council of Ministers (Europe, 2003b:12).

Patten and Lamy presented to the Council, on 9 July 2003, a final draft of the Commission's communication paper on the South-East Asia region. They aimed to persuade - and obtain approval - from the Council about the importance and comprehensiveness of the EU's economic and political policy with respect to the region (European Commission, 2003c:19). Patten said that: "We are not only major trading partners, but partners in the fight against terrorism, organized crime and drugs trade. Europe is the first donor of development assistance [...] but we can do more together - and today's communication sets out a flexible strategy for deeper cooperation with individual countries within a regional framework" (Europe, 2003c:15). With regard to the content of draft of the Commission's communication paper, Lamy added that this was the beginning of: "a new chapter in EU and ASEAN

trade relations. TREATI will help to build trust between both regions: we are ready to match the level of ambition they put in their own process or regional integration” (Ibid).

According to research data, Commission official B explained the institutional arrangement of the development of this communication paper, as follows: “I think the Commission was crucial at that time where there was no Lisbon Treaty. The Commission took the initiative and asked for a mandate from the member states in the Council. The Commission went to the Council and said look, we want to do this. The member states had a discussion and said yes that was a good idea. Do it”.<sup>19</sup> This person further elaborated that “we invited our ambassadors in the area to come in and give their inputs and to discuss a little bit with the countries individually [...]. It was getting information. So we wrote the document”.<sup>20</sup>

Commission official A added that

We wanted to adopt it [communication paper] with ASEAN, so we needed the agreement from ASEAN before we could go formally to the Council to get approval. But in the process of preparing this strategy the Council was already consulted. Before the formal approval, there was a consultation and the Commission received inputs from the EU member states on that strategy itself. So, when it was presented in 2003 to ASEAN already something had been agreed in the EU.<sup>21</sup>

The Council gave its green light for the Commission to form a new partnership with ASEAN. Consequently, Patten presented the Commission’s communication paper entitled New Partnership with South-East Asia: Communication from Commission (ASEM, 2003:4) to the South-East Asia region at the 5<sup>th</sup> ASEM Foreign Ministers’ Meeting in Bali, Indonesia, on 22-24 July 2003.

Afterwards, the Commission submitted its communication paper to be adopted and ratified by the Council. Council official B explained that the Commission sent the draft of a new partnership with South-East Asia to the Council. The EU member states would examine and discuss it. They needed to find a common denominator amongst them in order to achieve a common position on the draft conclusions

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<sup>19</sup> Interview with Commission official B, 2011.

<sup>20</sup> Ibid.

<sup>21</sup> Interview with Commission official A, 2010.

concerning this policy within the framework of the Council. The Council would adopt the draft of a new partnership in the EU policy.<sup>22</sup>

Commission official B explained the importance of the EU member states in this EU policy development by saying that: “Of course this [the EU policy development] included the member states, because we had to get an agreement [...]. And even I thought officially this agreement was a mix of agreements which also meant competence by the member states in this process”.<sup>23</sup>

The United Kingdom (UK), Netherlands, Germany and France wanted to form a close relationship with ASEAN. Commission official B continued by highlighting the EU member states which were really eager to engage, as follows: “You can say few countries were more active on this policy, for example the UK, France and to a lesser extent Germany. I think all of them, pretty much, were interested. The Netherlands had also a strong Asia policy, stronger than in other countries [...] for big countries, it was also, economically, the driving force”.<sup>24</sup>

The UK, Netherlands, Germany and France approached the other EU member states in order to convince them of the benefits of having an economic relationship with ASEAN. They demonstrated to the other EU member states the importance of deepening the EU and ASEAN relationship such as, firstly, the strengthening of Europe and Asia trans-regional ties mentioned in a strategic framework for enhanced partnership between Europe and Asia which allowed the EU to develop a close relationship with South-East Asia (European Commission, 2001b:21-22). Secondly, there was a need for the EU and its member states to get access to economic resources in order to expand their market for selling their products and to find potential locations for their investments. ASEAN could fulfill their economic needs (HKTDC, 2003:1).

The Council can use unanimity or a qualified majority mechanism, if it needs to adopt the policy initiative as the EU’s policy (Europa, 2010:1). The European Parliament examines the legislation on reinforcing the cooperation between these two regions with the aim of ensuring that development aid is efficient and transparent. The Council and the European Parliament have identified strategic

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<sup>22</sup> Interview with official B, the Council of the EU, Brussels, 30 March 2011.

<sup>23</sup> Interview with Commission official B, 2011.

<sup>24</sup> Ibid.

priorities for inter-regional cooperation with Asia and Latin America taking into consideration the mutual interest of the Community and its external partners.

On 20 January 2004, the Political and Security Committee (PSC)<sup>25</sup> achieved agreement on the draft council conclusions in the new partnership with South-East Asia. Afterwards, in order to obtain endorsement and authorization, the General Secretariat of the Council of the EU proposed the draft council conclusions to COREPER. Then, at its meeting, COREPER recommended to the Council to ratify the draft council conclusions (Council of the EU, 2004:1).

Subsequently, the EU member states (15 countries at that time) agreed to and adopted, without debate at the 2558<sup>th</sup> Council meeting on 26-27 January 2004, the draft council conclusions on a new partnership with South-East Asia. The meeting was observed by the acceding EU member states (10 countries at that time) (Council of the EU, 2004:2-5). The name of this policy has been remained the same, 'Communication from Commission: A New Partnership with South-East Asia'. There was no significant obstacle to the formulation and finalization of this policy by the EU member states inside the Council.

Overall, the EU's policy on a new partnership with South-East Asia was a mixed agreement between the Commission and the Council whereby these EU institutions had competences to take the initiative on policy; to formulate the draft policy; to coordinate the policy-making process; and to decide on final policy. With the Council acknowledgement, the Commission exercised its competence to coordinate and to launch a new partnership with South-East Asia with the Council. The Council decided the legislation of a new partnership with South-East Asia and ratified it at the end of the development process of this EU policy. The Council had more competence than the Commission because it gave an authorization to the Commission and adopted, also, the final legislation for this policy.

The institutional arrangement in the development of the EU's policy towards ASEAN supported and enabled these actors to interact effectively based on their roles; apply their functions; and share their competence in order to establish an inter-regional policy. We understand not only who were the relevant actors involved in the development of this EU policy but, also, we know how, when and, to what extent,

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<sup>25</sup> PSC formulates and coordinates all policy options (the CFSP/ESDP) that could be taken by the Council in the crisis situation (Europa, 2011b:1).



these actors interacted in the development of this EU policy. At the time, with support from the European Parliament, relevant actors, shared a common position on the development of this EU policy which strengthened the EU's stance when approaching ASEAN. Therefore, these actors (particularly the Commission and the Council) had an impact on shaping and determining the policy outcome.

#### **4.3.2. The Promotion of Interests or Values in the EU's Policy Development for a New Partnership with South-East Asia**

I argue that the Commission's communication paper was an outcome of the promotion of its collective economic interests particularly, the economic interests of key EU member states and the EU's values as a whole. It promoted mixed aspects of the EU member states' economic interests and the common EU values. However, the EU member states' economic interests came before the common EU values. The empirical evidence was the trade and investment ties between key EU member states and ASEAN in 2000. The common EU values were an additional component which the Council Regulation No 443/92 mentioned as a legal basis for a new partnership with South-East Asia.

The economic interest, shown by EU member states, particularly the UK, France and Germany, in South-East Asian countries (eg. Indonesia and Vietnam) could be expressed bilaterally (Camroux, 2006:35). However, these countries needed to incorporate their aspirations through the Commission which, when dealing with ASEAN, was a representative of the EU. It was, also, a channel for the EU member states through which to promote their collective economic interests in South-East Asia. The EU member states' economic interests dominated clearly this communication paper. The EU member states (bigger and smaller member states) showed their interest in a deeper economic cooperation with ASEAN as can be seen from the four EU member states - the UK, Germany, the Netherlands and France - which had close trade and investment relationship with the region. These countries had an economic interest in engaging more closely with ASEAN. They understood that they could secure their economic interests through comprehensive cooperation with EU and ASEAN. They wanted to maintain and extend their trade and investment activities in South-East Asia.

In the case of a trade relationship between the EU and ASEAN, in 2000, the UK, Germany, the Netherlands and France were the largest trading partners for ASEAN (see Table 4.1). In 2000, Germany, the UK and France were the largest exporters to ASEAN with total amounts of € 10,675 million, € 6,676 million, and € 5,506 million respectively. In 2000, the Netherlands, the UK, Germany and France were the largest importers to ASEAN with total amounts of € 16,331 million, € 15,326 million, € 14,530 million and € 7,342 million respectively. In the case of FDI between the EU and ASEAN, the UK, the Netherlands and Germany were the main investors in South-East Asia from 2003 to 2004 (see Table 4.2).

**Table 4.1**  
**The EU Member States and ASEAN Commercial Relationship, 2000 & 2006**

(Euro million)

	<b>Exports</b>		<b>Imports</b>		<b>Balance</b>	
	2000	2006	2000	2006	2000	2006
<b>EU27</b>	41,856	49,395	75,386	78,887	-33,530	-29,491
<b>Belgium</b>	1,986	2,116	4,201	4,524	-2,215	-2,408
<b>Bulgaria</b>	34	308	60	152	-27	156
<b>Czech Republic</b>	251	318	521	689	-269	-371
<b>Denmark</b>	652	744	815	1,101	-163	-357
<b>Germany</b>	10,675	14,485	14,530	14,833	-3,855	-348
<b>Estonia</b>	8	21	42	58	-34	-37
<b>Ireland</b>	2,173	2,253	2,502	2,339	-329	-86
<b>Greece</b>	91	145	463	492	-373	-347
<b>Spain</b>	1,206	1,221	3,081	4,331	-1,875	-3,110
<b>France</b>	5,506	6,755	7,342	7,003	-1,835	-248
<b>Italy</b>	4,117	4,457	3,864	4,788	253	-331
<b>Cyprus</b>	9	12	86	88	-76	-75
<b>Latvia</b>	2	9	6	25	-4	-15
<b>Lithuania</b>	9	273	37	79	-28	194
<b>Luxembourg</b>	37	40	75	383	-38	-344
<b>Hungary</b>	340	241	1,549	1,410	-1,209	-1,169
<b>Malta</b>	438	300	587	319	-149	-20
<b>Netherlands</b>	3,139	3,917	16,331	16,156	-13,192	-12,239
<b>Austria</b>	719	969	417	867	302	102
<b>Poland</b>	269	387	1,013	860	-744	-472
<b>Portugal</b>	142	830	349	380	-207	449
<b>Romania</b>	45	85	129	461	-84	-375
<b>Slovenia</b>	20	34	102	98	-82	-64
<b>Slovakia</b>	55	80	142	270	-88	-190
<b>Finland</b>	1,241	914	569	676	672	238
<b>Sweden</b>	2,016	1,958	1,247	1,213	769	745
<b>UK</b>	6,676	6,525	15,326	15,292	-8,650	-8,767
<b>Total extra-EU27</b>	849,739	1,165,223	992,698	1,360,590	-142,959	-195,367
<b>ASEAN / Total</b>	4.9%	4.2%	7.6%	5.8%		

Source: Eurostat (2007a:1).

**Table 4.2**  
**Main Countries of FDI Flows to ASEAN, 2003-2007**

(USD million)

Rank	2003			2004			2005			2006			2007		
	Country	Value	%	Country	Value	%	Country	Value	%	Country	Value	%	Country	Value	%
1	UK	4,980	25.3	UK	5,389	15.3	Japan	6,134	15.7	Japan	10,715	20.8	Japan	9,540	15.1
2	Japan	2,413	12.3	Japan	5,732	16.3	USA	4,799	12.2	ASEAN	7,947	15.5	ASEAN	9,502	15.0
3	ASEAN	2,370	12.1	USA	5,232	14.9	UK	4,521	11.5	Netherlands	4,535	8.8	UK	5,470	8.6
4	Netherlands	1,275	6.5	ASEAN	2,804	8.0	ASEAN	4,203	10.7	UK	3,470	6.7	USA	5,077	8.0
5	USA	1,193	6.1	Netherlands	2,278	6.5	Netherlands	2,285	5.8	USA	3,112	6.1	Netherlands	4,569	7.2
6	Cayman Islands	628	3.2	Cayman	2,029	5.8	France	936	2.4	Cayman Island	3,091	6.0	South Korea	2,758	4.4
7	Taiwan	554	2.8	Germany	963	2.7	Luxembourg	851	2.2	Germany	1,529	3.0	Bermuda	2,060	3.3
8	South Korea	542	2.8	South Korea	806	2.3	Germany	552	1.4	Bermuda	1,497	2.9	Hong Kong	1,833	2.9
9	Luxembourg	477	2.4	China	732	2.1	China	536	1.4	Hong Kong	1,393	2.7	Cayman Island	1,385	2.2
10	Bermuda	263	1.3	Bermuda	649	1.8	South Korea	534	1.4	South Korea	1,304	2.5	France	1,354	2.1
<b>ASEAN Total</b>		19,664			35,117			39,184			51,414			63,260	

Source: Data compiled from statistics of FDI in ASEAN, ASEAN Investment Reports 2007 & 2008 (ASEAN Secretariat, 2006a:14, 2007g: 9 and 2008a:9-10).

A new partnership with South-East Asia promoted, also, common EU values which were known as “essential elements” (European Commission, 2003a:15). These common EU values are human rights; democracy and the rule of law. These values were included by the Commission and the Council in the Commission’s communication paper. One of the priorities, within the EU’s policy on a new partnership with South-East Asia was promoting human rights, democratic principles and good governance (Ibid, p.14-16). There was a linkage between the promotion of common EU values and the legal basis of this communication paper (Council Regulation No 443/92) which required that the inter-regional cooperation and economic agreement between the EU and ASEAN should include essential elements of the common EU values. It emphasized the Community and its member states’ need for human rights to be included in the EU’s agreement with Asia and Latin America regions (EUR-Lex, 1992a:1).

Commission official B explained what actually drove this EU’s policy, e.g. the promotion of interests or values as follows: “I think, there is little bit of interconnection in the way we see it. But certainly, there is interest as I said since we saw that we had to defend our interest in that part of the world against the rise of China [...]. At least, we were still the number one trading partner but we were rapidly losing out to China”.<sup>26</sup>

This person argued further that:

That is why we felt we had an interest to defend and to keep our presence. I think it has to do with: first, economic interest. Second, security interest and certainly, you can say values, democracy and human rights. But I do not think we pursue them. To be honest, South-East Asia is a bit of an exception because we have always been very vocal about democracy and human rights especially with regard to Myanmar [...]. But at some moment you have to choose what is more important.<sup>27</sup>

This person stated that “We are still kept hostage by that country [Myanmar]. Even we had to make ourselves hostage because we had dug ourselves into concerns about values [...]. At some point, if we do not do anything, we know it is going to cost us”.<sup>28</sup> The Myanmar question on human rights and democratic principles has

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<sup>26</sup> Interview with Commission official B, 2011.

<sup>27</sup> Ibid.

<sup>28</sup> Ibid.

overshadowed the EU-ASEAN ties since the accession of Myanmar to ASEAN (Camroux, 2006:13).

I have demonstrated that a new partnership with South-East Asia was driven primarily by interests rather than values. The Commission represented the EU member states in promoting collective economic interests in South-East Asia. This EU policy was driven forwards by the economic interests of key EU member states such as the UK, Germany, the Netherlands and France. To some extent, a new partnership with South-East Asia covered, also, elements of common EU values such as human rights; democratic principles; and good governance clauses. The EU inserted these common values into a new partnership with South-East Asia. However, the common EU values shaped the development of this EU policy only to a limited extent. Overall, the promotion of the Commission's collective economic interests (particularly the key EU member states) came before the promotion of common EU values. Common EU values were only complementary elements of this EU's policy.

Within the development of EU policy, there was a connection between relevant actors; the EU member states' economic interests; the common EU values; and the legal basis for this EU policy. The Commission and the Council assembled these collective economic interests and common EU values which were combined, through the institutional arrangement of the inter-regional cooperation agreement, to achieve a new partnership with South-East Asia. Later, the Commission and the Council attempted to promote their collective economic interests and common values in South-East Asia. These mutual internal factors were interconnected and complemented one another. They were integrated into an institutionalized machinery which became the *modus operandi* for the development of the EU's policy for a new partnership with South-East Asia.

#### **4.3.4. The Mode of Engagement between the EU and ASEAN**

The minimum consultation mechanism was a mode of engagement which the EU used to interact with ASEAN. I would like to divide the application of the mode of engagement into two stages: (1) consultation concerning a new partnership with South-East Asia; and (2) the finalization of a new partnership with South-East Asia. This division seeks to provide a breakdown of the explanation as to how, when

interacting with ASEAN in these two stages, the EU employed a minimum consultation mechanism which had implications for the development of this EU policy.

#### **4.3.4. a. Consultation concerning a New Partnership with South-East Asia**

At the consultation stage, the Commission employed a minimum consultation mechanism on two occasions with ASEAN in order to exchange aspirations and receive its external partner's feedback. The first consultation mechanism, between the EU and ASEAN, was held on the evening of the 14<sup>th</sup> ASEAN-EU Ministerial Meeting on 27 January 2003 in Brussels, Belgium. The second consultation mechanism was held at the 3<sup>rd</sup> ASEAN Economic Ministers and EU Trade Commissioner Meeting on 4 April 2003 in Luang Prabang, Lao PDR.

In the first consultation meeting, between the EU and ASEAN, the EU viewed its commitment to engage more with ASEAN through the framework of inter-regional cooperation. The EU presented its ideas and intentions on the engagement with South-East Asia through the political; security; economic; and development aspects of cooperation (ASEAN Secretariat 2003b:1). The Joint Co-Chairmen's statement at the 14<sup>th</sup> EU–ASEAN Ministerial Meeting pointed out crucial points with regard to a new partnership with South-East Asia. These were as follows (Council of the EU, 2003b:2-3):

1. Ministers had extensive preliminary discussions on ideas for reinvigorating political, economic and social aspects of the relationship at regional, sub-regional and bilateral levels. In this context, the Commission reaffirmed its attention to issue a communication on a new strategy for EU relations with South-East Asia in the first half of this year.
2. Ministers discussed the priorities for future actions under the ASEAN-EU Cooperation Programme to support the ASEAN economic integration and to enhance ASEAN-EU co-operation in the economic and development cooperation areas as well as information actions.
3. Ministers agreed that future ASEAN-EU cooperation should contribute to new dynamism in the trade relationship including expanding trade and investment flows, closer cooperation in trade facilitation, market access and investment issues.

At the second consultation meeting, between the EU and ASEAN in April 2003, the EU proposed to ASEAN economic ministers a new trade regional framework to overcome trade and investment regulatory issues in the Commission's

communication paper such as: the development of a FTA; the complex trade regulations (rules of origin, sanitary and phytosanitary standards, appreciation of intellectual property rights (IPRs) and investment regulations); the common custom procedures; and the treatment of ASEAN as a regional block. This trade regional framework was known as TREATI (Council of the EU, 2003b:1). Lamy introduced TREATI to ASEAN countries, which aimed to improve the standards and applications of ASEAN's trade and investments in order to achieve the minimum requirements of the EU's trade and investment regulations (ASEAN Secretariat, 2003c:73-74).

The ASEAN economic ministers agreed to insert TREATI as an initiative to improve the trade and investment relationship between the EU and ASEAN (ASEAN Secretariat, 2003a:1). They appreciated, also, the Commission's effort to provide APRIS (Ibid). They highlighted their interest which was to inspire and learn from the EU's regional integration experience in order to further regional economic integration within ASEAN. They believed that APRIS would assist not only the process of ASEAN regional integration but, also, it would foster the EU and ASEAN economic relationship. The ASEAN Ministers appreciated the EU's intention to release, in the middle of 2003, a new partnership with South-East Asia which would enhance the economic ties between the two regions (ASEAN Secretariat, 2003a:1).

Sunoto said that: "We went to Brussels and had brainstorming sessions with Relex<sup>29</sup> people and tried to look at what can we elaborate this strategic paper. I think we went to other countries in Europe for a second time. We went there with foreign affairs people of ASEAN. But I think that what we did was to steer the strategic direction of the paper in order to contribute to ASEAN goals and objectives".<sup>30</sup> He further emphasized that "this would help us integrate ASEAN as a community and support whatever goals we had [...]. It was agreed by the European Commission; and that I think confirms the need for the European Commission to share its experiences of integration with ASEAN and to do it in political, economic and social culture".<sup>31</sup>

The EU presented and discussed the intention of its new strategy for South-East Asia in order to hear and accommodate ASEAN's aspirations. This was based on the

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<sup>29</sup> The Foreign Relations Counsellors Working Party.

<sup>30</sup> Interview with Sunoto, 2010.

<sup>31</sup> Ibid.

minimum consultation mechanism under which the EU and ASEAN could exchange their views with regard to the Commission's communication paper. The Commission was trying to make some adjustments in its communication paper by means of inter-service consultations within the Commission and, also, interaction with the Council and the European Parliament.

#### **4.3.4. b. The Finalization of a New Partnership with South-East Asia**

However, at the finalization stage of a new partnership with the South-East Asia, the Commission adopted a small degree of consultation with ASEAN with regard to the development of this EU policy. In practice, the Commission kept ASEAN member countries informed about developments on this EU policy. Commission official B stated that the Commission used the minimum consultation mechanism when it interacted with ASEAN and especially when formulating the final draft of its communication paper. This person argued that: "We wrote it pretty much ourselves and did not have any negotiation with an external actor. But let's say, you should not exaggerate the extent of our consultations, but we kept them informed. That is a better way of putting it. What we were going to say was that it was as good as we could do it. It was a minimum of consultation".<sup>32</sup>

The Commission employed a minimum consultation mechanism in order to register, at the consultation stage, the ASEAN countries' aspirations and responses. However, at the finalization stage, the Commission kept ASEAN informed minimally with regard to developments in its communication concerning a new partnership with South-East Asia. ASEAN was a little disappointed with the European Commission because the Commission did not involve ASEAN sufficiently by requesting its aspirations before a final draft of this EU policy was released. Sunoto stated that: "The consultation process was insufficient. The strategic paper of the EU is not democratically done. It is really one-sided, with little consultation with ASEAN side. They should allow the other partner to look at the communication paper. They came in from a different point of view with regard to legal background, structured organization and they are really committed".<sup>33</sup>

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<sup>32</sup> Interview with Commission official B, 2011.

<sup>33</sup> Ibid.



Consequently, in the context of the consultation process between the Commission and ASEAN at that time, the above situation led to a different perspective from the ASEAN side. The consultation period was too short and, therefore, there was, insufficient time to give responses to the final draft of the Commission's communication paper. This situation was caused by the complexity of the institutional arrangements within the EU. ASEAN wanted to check whether or not its aspirations had been included in the communication paper before it was released.

This contradictory situation led to a little tension between the Commission and ASEAN when, in order to develop a new partnership with South-East Asia, the Commission employed a minimum consultation mechanism in its dealings with ASEAN. Then, the Commission explained to ASEAN the reasons why it used a minimum consultation mechanism. These were as follows: firstly, the EU paid only partial attention to ASEAN because of a lack of capacity in ASEAN as a counterpart and because, at that time, the EU was developing, also, bilateral ties with ASEAN countries. Secondly, there was a need for an improvement for the EU-ASEAN development cooperation.<sup>34</sup> The Commission had agreed to provide financial aid for various programmes in ASEAN and its member countries. The Commission increased its amount of aid and the scale of involvement at the regional (ASEAN) and bilateral (ASEAN countries) levels. The Commission and ASEAN took this decision in order to balance their needs and to avoid discontent between them.

Furthermore, Sunoto explained that: "We were happy to learn that at the end we got about € 18 million in that umbrella-cover."<sup>35</sup> I think that strategic paper was two dimensional. One dimension was at the regional level but most of it was bilateral [...]. I think that, at a regional level, they had € 800 million. That was the strategic paper as a whole, but most of it would be delivered bilaterally".<sup>36</sup>

In order to respond to the situation, the Commission included these reasons in its communication on the new partnership with South-East Asia. The Commission wanted to support ASEAN and its member countries with cooperative, developmental programmes designed to preserve a peaceful and stable region and to

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<sup>34</sup> Interview with Commission official B, 2011.

<sup>35</sup> The EU's aid for the EU-ASEAN programmes.

<sup>36</sup> Interview with Sunoto, 2010.

improve the ASEAN countries economic development. Then, ASEAN received and considered the Commission's explanations because the Commission had included some of ASEAN's aspirations in a new partnership with South-East Asia.<sup>37</sup>

Based on the above evidence, the mode of engagement, to some extent, had an effect on the development of the EU's inter-regional policy towards ASEAN. At the consultation stage, the Commission took ASEAN's aspirations into account when it employed a minimum consultation mechanism. However, the Commission informed ASEAN only at the finalization stage with regard to the final development of a new partnership with South-East Asia. Therefore, ASEAN raised its concerns with the EU about its minimal participation on this EU policy. This situation created a small degree of tension between the EU and ASEAN. In order to balance their interactions and to reach a consensus between both parties, the Commission pursued its interests and accommodated some of ASEAN's aspirations in the communication paper, for example: the development aid for least-developed countries in South-East Asia; and the enhancement of commercial and economic cooperation between both regions. The Commission aimed to meet and serve its goals in South-East Asia by improving its development aid and technical assistance for ASEAN and its member countries. The mode of engagement led the EU to adjust its communication paper by considering and adapting its position to accommodate ASEAN's aspirations. This situation demonstrated a co-operative relationship between the EU and ASEAN because the mode of engagement was the way for both parties to exchange aspirations; to persuade one another; and to reach a consensus between the two parties.

#### **4.3.5. The Level of Integration within ASEAN**

The level of regional integration within ASEAN was still at a preliminary stage. When the Commission formulated its new partnership with South-East Asia, Commission official B explained that he meant in a way it [the level of integration] was important, but it was not important for the communication paper because whilst it was the name of the policy for ASEAN, in reality it was a policy for an individual

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<sup>37</sup> Ibid.

country. There was a double meaning in that document.<sup>38</sup> More specifically, at that time, this person explained that ASEAN had a controversial reputation such as there was a slow forward movement and ASEAN could not act together. Moreover, in ASEAN, there was no intervention; no criticism; and no lowest common denominator. However, this situation did not stop the EU having an agreement or having a policy approach for the whole of ASEAN.<sup>39</sup>

Commission official B advocated the importance of some level of integration within the external partner of the EU and stated that: “The level of integration when you started to make an agreement, really made sense. Of course a partner that is more integrated is a more interesting partner [...]. We have been a strong supporter of ASEAN integration; this is what we do. On the other hand, we also know that these countries want to do things differently from us. We never push very hard”.<sup>40</sup> This person admitted that: “We have always been in favour of stronger ASEAN integration and a stronger role for ASEAN [...]. We would like ASEAN to be more integrated because then it becomes easier for the EU to work with ASEAN”.<sup>41</sup> Council official B added that South-East Asia was moving into an integrated region. The Council of the EU recognized the development of this region at the time.<sup>42</sup>

From the ASEAN side, ASEAN did not have a common position and strategy when they met the EU. Sunoto suggested that:

We are still not an entity, our interests are still different with each other, the priorities are different. We do not have common interests toward the EU. It is very difficult to find a common denominator in foreign policy of the member states. Therefore, ASEAN does not have a position. ASEAN also cannot come out with a coherent strategy in how to engage with the EU because it consists of 10 different nationally oriented foreign policies.<sup>43</sup>

From the EU's perspective, the Commission identified ASEAN as a loose regional inter-governmental organization because it was a less institutionalized regional cooperation which could not come up with a common position. The Commission considered, to a small extent, the level of integration within ASEAN when it formulated its communication paper for South-East Asia. In this sense, the

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<sup>38</sup> Interview with Commission official B, 2011.

<sup>39</sup> Ibid.

<sup>40</sup> Ibid.

<sup>41</sup> Ibid.

<sup>42</sup> Interview with Council official B, 2011.

<sup>43</sup> Interview with Sunoto, 2010.

Commission preferred to reinvigorate its relationship with a solid ASEAN. The Commission offered its experience of regional integration and its support as an inspiration and provided technical assistance for the improvement of ASEAN's regional integration.

In their discussion on the Commission's communication paper, the Commission and ASEAN paid attention to two main areas. These were: stages of regional economic integration; and the level of development within ASEAN countries. I explain the stages of regional economic integration and, at the stage of ASEAN's economic integration at that time. Then, I examine the various level of development within ASEAN countries.

I begin by explaining the stages of regional economic integration in terms of considering the level of integration within ASEAN before 2003. The ASEAN's regional economic integration started, in 1977, with a Preferential Trade Agreement (PTA). The PTA offered the application of a preferential tariff for every product which originated from ASEAN countries. ASEAN products were cheaper compared to products from outside ASEAN countries (ASEAN Secretariat, 2010b:1). ASEAN moved towards AFTA in 1992 (ASEAN Secretariat, 1992a:1). AFTA aimed to eliminate trade barriers which were against non ASEAN countries. It aimed to create economic efficiency and to establish competitive trade for ASEAN countries and non ASEAN countries. It concluded, also, the Common Effective Preferential Tariff (CEPT) agreement which allowed ASEAN countries to decrease their tariffs to 0–5 % based on Most Favoured Nations (MFN) (ASEAN Secretariat, 1992b:1).

The birth of AFTA was a response to the emergence of regional integration in the EU and to the slow progress in developing a multilateral trading system because of the transition period from GATT to the WTO. AFTA aimed to establish ASEAN as a single entity of production. ASEAN countries were committed to eliminate tariff and non-tariff barriers in order to improve intra-regional trade activities; their production base; and the competitiveness of ASEAN itself. ASEAN countries promoted the ASEAN Investment Area in order to improve industrial cooperation amongst ASEAN countries. ASEAN countries agreed to decrease tariffs and give benefits to investors from ASEAN countries in order to attract them to invest their funds in the region. The provisions of AFTA were implemented by six ASEAN

countries (Indonesia, Malaysia, Singapore, Thailand, Brunei Darussalam and the Philippines) through the CEPT which, in January 2004, covered 99 % of the products within the 0-5 % tariff range. Four ASEAN countries such as Vietnam (2006), Laos and Myanmar (2008) and Cambodia (2010) would follow their ASEAN fellows in implementing this scheme (ASEAN Secretariat, 2009c:1).

The difference in level of development between ASEAN countries affected to the level of integration within ASEAN. These countries can be divided into three types of developmental level such as advanced developing countries (Singapore and Brunei Darussalam); middle developing countries (Malaysia, Thailand, Indonesia and the Philippines); and less developed countries (Vietnam, Cambodia, Myanmar and Laos) (UN DESA, 2011:1). In 2002, GDP per capita in Singapore and Brunei Darussalam were USD 21,098 and USD 17,158 respectively. However, GDP per capita in Malaysia, Thailand, Indonesia and the Philippines in the same year were USD 3,899, USD 2,020, USD 932 and USD 955 respectively. GDP per capita in Vietnam, Cambodia, Laos and Myanmar were USD 440, USD 308, USD 369 and USD 136 respectively.<sup>44</sup> In ASEAN, there was a huge development gap between the high, middle and low income countries.

If we consider the stage of regional economic integration, ASEAN established AFTA in 1992. In 2004, effectively, ASEAN has implemented the CEPT. In other words, at that time, ASEAN was in the early stages of regional economic integration. At the same time, ASEAN faced a huge gap in economic development amongst its countries. The difference in developmental level amongst ASEAN countries created different policy aims and ambitions within ASEAN. Therefore, at that time, ASEAN's external relationship with its external partners (eg. the EU) was affected.

In the early 2000s, ASEAN's policy aimed to strengthen its regional economic integration and to narrow any developmental disparities amongst its member countries (ASEAN Secretariat, 2003c:6). ASEAN used the consultation mechanism to promote its policy aims to the Commission. ASEAN requested the Commission's assistance in supporting its own regional economic integration and reducing the development gap amongst its member countries. In the consultation process between the EU and ASEAN, the Commission considered this aspiration by ASEAN to be

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<sup>44</sup> See Appendix 2.

included in a new partnership with South-East Asia (ASEAN Secretariat, 2003a:1 and 2003g: 117). The Commission was known for its competence in planning and implementing regional integration based on its experience and knowledge in this sphere (Smith, 2003:85). Patten (2002:11) argued that: “We should give as much support as we can to regional integration and regional developments in ASEAN. I hope that we can help with trade liberalization in ASEAN and that we can draw closer to ASEAN”.

The empirical evidence was that the Commission included ASEAN’s policy aims in a new partnership with South-East Asia. Examples are: the European Commission (2003a:14-15 and 19-21) supported regional integration for ASEAN and continued to foster development in ASEAN’s least developed countries. The Commission commenced its efforts, in September 2003, to assist in ASEAN’s regional integration through APRIS I. APRIS I aimed to conduct regional integration studies; to provide technical assistance in designing and developing of the website for the ASEAN consultation to resolve trade and investment issues; and to provide capacity building for ASEAN Secretariat staff on the issues of regional economic integration (ASEAN Secretariat, 2010c:1).

Commission official B explained the Commission’s support regional integration within ASEAN. This person argued that: “APRIS is, if you look at it, the unique selling point for the EU and shows that we have a lot experience with integration [...]. APRIS was basically giving them an institutional transfer of knowledge”.<sup>45</sup>

Commission official A explained that:

The idea was to support strengthening of the ASEAN Secretariat for ASEAN regional integration. We have done 3 programmes of APRIS, such as support for technical assistance, organizing meetings with experts and improving statistical expertise [...]. We are ready to provide you with our experiences, our technical assistance and our knowledge of integration.<sup>46</sup>

The European Commission (2003a:18-20) assisted the development of ASEAN’s least developed countries by focusing on a poverty reduction programme

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<sup>45</sup> Interview with Commission official B, 2011.

<sup>46</sup> Interview with Commission official A, 2010.

and supporting the Initiative for ASEAN Integration (IAI). IAI was an ASEAN initiative to narrow the development gap between ASEAN countries in order to develop further ASEAN's regional integration. It aimed to promote economic development and to reduce poverty in Cambodia, Lao PDR, Myanmar and Vietnam. The four main areas of development, for these ASEAN countries were: infrastructure; information and communications technology; regional economic integration; and human resources (ASEAN Secretariat, 2004a:1). With regard to IAI, the Commission supported the ASEAN Energy Facility with total amounts of USD 1,113,039 and € 23,740 respectively. The European private sectors were involved in four energy programmes (Ibid, p.5 and ASEAN Secretariat, 2009d:4).

The level of integration, within ASEAN, was low when the EU was developing its policy because, in ASEAN, regional integration was only at a preliminary stage. ASEAN continued to focus on the AFTA as the first foundation for an economic regional integration. ASEAN countries had different levels of economic development which were classified variously according to their economic and developmental situation. These were as follows: high income developing countries; middle income developing countries; and least developed countries. It cannot be denied that the EU wanted to improve its relationship with the South-East Asia region since, in Asia, it was still an emerging economic region. The above situation affected the development of the Commission's communication paper. At that time, the EU's concern over ASEAN regional integration was a new phenomenon. The EU recognized that its own economic interests were best served if it shared its regional integration experience with ASEAN. For example, TREATI and APRIS on the Commission paper were symbiotic, one to another, in order to promote the EU's economic rules/standards and to encourage ASEAN to further its integration. A more integrated ASEAN would make it easier for the EU to improve its economic cooperation with ASEAN. Therefore, the EU wanted to support ASEAN regional integration and to minimize the gap in economic development amongst ASEAN countries which would create a foundation for an integrated ASEAN. Therefore, the EU considered the level of integration, within ASEAN, would be accommodated in a new partnership with South-East Asia.

#### **4.3.6. External Pressure for and Opportunity in the EU's Policy Development for a New Partnership with South-East Asia**

The external pressure for and opportunity in the development of this EU policy were the results of emerging bilateral and regional trade initiatives in the South-East Asia region. The USA's greater involvement and the rise of China brought about the improvement of economic initiatives in the region. Both pressure and opportunity were associated with the external political and economic element. I examine the above situations which, in early 2000, had an impact on the emergence of economic initiatives in this region. Subsequently, I explain the impact of the emergence of bilateral and regional trade initiatives on the development of a new partnership with South-East Asia.

Since the 1970s, the USA has had a significant influence on this region. In the Cold War era, security was the USA's primary focus in this region. The USA empowered this region as a buffer zone against the spread of communism emanating from the Soviet Union (Nesadurai, 1996:35). After the Cold War era, the USA shifted its attention from security issues to economic issues (Ibid, p.39). In 1989, it established APEC as an instrument of foreign policy to engage with the South-East Asia, Pacific and East Asia regions (Ibid, p.33).

The Asian financial crisis hit the South-East Asian countries between 1997 and 1998. This situation reduced the USA's primary interest in South-East Asia. In the late 1990s, the USA changed its interest from the South-East Asia region to East Asian countries such as China, Japan and South Korea. However, this situation did not exist for a long time due to the 11 September 2001 terrorist attack on the World Trade Center in New York. Afterwards, the USA focused on fighting terrorist activities around the globe especially in Iraq and Afghanistan. Consequently, it reduced its foreign policy focus on South-East Asia (Mauzy and Job, 2007:629).

The USA's political and security interests, in the South-East Asia region, were (Mauzy and Job, 2007:628-629): firstly, peace and stability within the region for political and economic purposes. The USA has had close allies in this region such as Singapore, Thailand and the Philippines. It has military bases and defence cooperation with these countries. Secondly, the USA wanted to counter China's influence in the region. The USA viewed, as a challenge, China's peaceful rise



especially China's expanding military and economic influence in South-East Asia. The USA approached ASEAN countries to build security and economic ties in order to preserve its influence in this region. Thirdly, the USA was concerned with the development of human rights and democracy in ASEAN countries, especially in Myanmar.

Since their formal cooperation in 1977, the economic relationship between the USA and ASEAN has fluctuated. In 2003, the USA's position was that of the second largest trading partner and ASEAN's first export destination. Based on statistical data, ASEAN exported merchandise to the USA totalling USD 69,674.2 million in 2003. ASEAN imported merchandises from the USA which totalled USD 48,211.5 million in 2003 (ASEAN Secretariat, 2009a:82-83). However, in 2009, the USA's position declined into fourth position after China, the EU and Japan, as one of ASEAN's trading partners. In 2009, the total value in exports from ASEAN to the USA was USD 82,201 million. In the same year, ASEAN's total import value from the USA was USD 67,370 million (ASEAN Secretariat, 2010d:1). ASEAN has had a trade surplus with the USA. Looking at FDI inflow to ASEAN, the USA was the third largest investor in 2003, investing total funds of USD 1,494 million. From 2003 to 2009, the USA's total investment in ASEAN increased to USD 27,052 million. In 2009, the USA was still the third largest investor in ASEAN.<sup>47</sup>

In engaging with ASEAN, the USA adopted regional and bilateral approaches. In considering the regional approach, the USA agreed to the ASEAN Cooperation Plan in 2002. This cooperation plan dealt with trans-national issues such as terrorism; drugs; disaster management; environmental protection; and support for ASEAN's regional integration. In 2005, the relationship between the USA and ASEAN improved through the framework of ASEAN and USA Enhanced Partnership. Both parties emphasized economic cooperation by signing, in 2006, a trade and investment framework agreement (TIFA). In considering the bilateral approach, the USA proposed to ASEAN countries, in October 2002, the Enterprise for ASEAN Initiatives (EAI) in order to build a bilateral FTA between itself and individual ASEAN countries (US Trade Representative, 2002:1). It approached ASEAN countries by applying EAI through two main requirements (US-ASEAN Business

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<sup>47</sup> See Table 6.4 in Chapter 6.

Council, 2002:1), as follows: firstly, the USA requested that its ASEAN counterparts be members of the WTO. Secondly, an ASEAN country should agree to sign TIFA with the USA.<sup>48</sup> The USA used its economic relationship with ASEAN countries as a complementary means to supporting its military supremacy in the region.

With regard to the ASEAN and China relationship, it has fluctuated since the Cold War era. The nature of their relationship changed from a cautious relationship, in the Cold War era, to a close relationship in the contemporary era. In July 1991, the Chinese Foreign Minister, Qian Qichen, attended, as a guest, the ASEAN Ministerial Meeting. The Chinese government was interested in building mutual economic cooperation with ASEAN (ASEAN Secretariat, 2010e:1). ASEAN wanted to develop its economic relationship with China (Roy, 2005:320) and to decrease its dependency on the USA's economy. Additionally, after the 1989 crackdown in Tiananmen Square, China was subject to strong pressures and sanctions by Western countries (Drury and Li, 2006:310).

In July 1996, China and ASEAN agreed to sign a formal agreement during the ASEAN and China dialogue in Jakarta. Their relationship reached a high level since, in October 2003, they signed the Strategic Partnership in Bali. The strategic partnership between both parties consisted of many areas of cooperation such as agriculture; trade and investment; tourism; technology; health; energy; transportation; capacity building for human resources; and the development of the Mekong River (ASEAN Secretariat, 2010e:1). China supported and participated in the various regional forums for political and economic cooperation between ASEAN and its external partners such as APEC, ASEM, the ASEAN+3 and the EAS. These initiatives created a meeting place for China and ASEAN where they could explore any opportunity for cooperation.

In the sphere of political and security cooperation, ASEAN and China built mutual trust and confidence in order to avoid an arms conflict (Shambaugh, 2004:75). China respected the ASEAN countries' sovereignty. China declared that it would resolve, through dialogue, land and sea disputes with ASEAN countries (Roy, 2005:307). Historically, China, Vietnam, the Philippines, Brunei Darussalam and

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<sup>48</sup> Brunei, Cambodia, Malaysia, The Philippines, Vietnam and Indonesia signed TIFA with the USA. The USA and Singapore have been implementing their FTA since 2004. The USA has negotiated a FTA with Thailand (Dosch 2009:228, US Trade Representative 2011a:1 and 2011b:1).

Malaysia had common sea border disputes, in the South China Sea, with regard to Spratly and the Paracel Islands. ASEAN approached China through collective security and dialogue at the regional level (Declaration on the Conduct of Parties in the South China Sea) (ASEAN Secretariat, 2002c:1 and 2011b:6-7). Through the ASEAN Regional Forum (ARF), ASEAN involved China in political and security cooperation together with other external partners. At the bilateral level, some ASEAN countries established annual security dialogues with China, e.g. Indonesia, Vietnam and the Philippines. On 8 October 2003, China acceded to the Treaty of Amity and Cooperation (TAC) with ASEAN (ASEAN Secretariat, 2003d:148). It was a positive signal for ASEAN that China agreed to build political and security cooperation with it based on co-operative dialogue.

In the area of economic cooperation, ASEAN countries exported raw materials, natural resources and simple electronic products to supply Chinese industrial activities. China and ASEAN products, based on agricultural products and textiles, were quite similar. China improved their high technology products such as cars; engines; and spare-parts.

During the Asian financial crisis, there was a contradictory situation in respect of the economic part of the relationship between China and ASEAN. On the one hand, China assisted ASEAN to deal with its economic turbulence. In 1998, this situation made ASEAN feel that China supported it (Economy, 2005:415). On the other hand, since the late 1990s, many foreign investors and companies moved their funds and productions from ASEAN countries to China because of the intensive and cheap labour compared to that of ASEAN countries. China tried to change this perception by establishing a more positive image amongst ASEAN countries. In the late 1990s, China responded positively to ASEAN's idea of building a cooperative framework through ASEAN+3. In the early 2000s, China was growing as a regional actor in Asia (Sutter, 2007:3). Some ASEAN countries felt insecure and suspicious of China with its economic development and hegemonic power. China responded to this situation by offering, in 2002, an ASEAN and China FTA. China and ASEAN implemented this FTA effectively in 2010. In order to improve economic and social cooperation between China and ASEAN, they established the ASEAN-China Center (2011:1) in Beijing.

The economic cooperation between China and ASEAN increased significantly from 2003 to 2009, as follows: the total value in exports by ASEAN to China improved from USD 28,987 million (in 2003) to USD 81,591 million (in 2009). The total value of imports by ASEAN from China increased from USD 30,043 million (in 2003) to USD 96,594 (in 2009). China preserved its trade surplus with ASEAN between 2003 and 2009. China's position as ASEAN's trading partner grew in strength from fourth in 2003 (7.2 % of ASEAN's total trade) (ASEAN Secretariat, 2009a:92-93) to first position in 2009 (11.6 % of ASEAN's total trade) (ASEAN Secretariat 2010d:1). There was a significant FDI increase by China in ASEAN. Total Chinese FDI invested in ASEAN was USD 186 million in 2003. From 2003 to 2009, China's total FDI rose sharply to USD 9,122 million.<sup>49</sup> In 2009, China was the fifth largest investor in South-East Asia.

The above discussions depict two circumstances which arose simultaneously in the South-East Asia region. These were as follows: the greater involvement of the USA; and China's rise in the region. China used commercial and investment ties and confidence building measures to build its image as a peaceful neighbour and to form an ASEAN-China FTA. At the same time, the USA re-oriented its focus on areas of economic and political interest to balance the expansive Chinese influence in the South-East Asia region and to offer bilateral FTAs to its allies in the region. Understandably, both the USA's greater involvement in the South-East Asia region and China's rise led, at that time, to an increase in economic activities in the region. These countries expanded their cooperation with ASEAN in order to obtain economic resources such as raw materials and to enlarge their market access to the region. In the early 2000s, the economic performance of ASEAN countries improved gradually based on their average economic growth of around 5-5.5 % between 2002 and 2003 (ASEAN Secretariat, 2007a:34-35). Total FDI inflows to ASEAN increased from USD 18,022.6 million in 2002 to USD 24,324.7 million in 2003 (ASEAN Secretariat, 2009a:128).

Consequently, there was an increase in the number of regional and bilateral trade initiatives originating from ASEAN and its external partners. Many of the countries, outside South-East Asia, were attracted to establishing and developing

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<sup>49</sup> See Table 6.4 in Chapter 6.

their economic cooperation with ASEAN and its member countries. There was an incremental development in bilateral and regional trade initiatives which were notified to WTO; there were around 116 FTAs between 2000 and 2006. In these years, South-East Asia accounted for 22 % of the total of trade agreements. Examples of these economic initiatives, discussed and negotiated in the early 2000s, were: the New Zealand and Singapore FTA; the Japan and Singapore FTA; the European Free Trade Association (EFTA) and Singapore FTA; the ASEAN and China FTA; the USA and Singapore FTA (WTO, 2008a:1); and the Trans-Pacific Partnership.

Herewith the implication of the discussion was that the emergence of bilateral and regional economic initiatives, within the South-East Asia region, provided the EU both with an external pressure and a valuable opportunity. The EU recognized the dynamics of economic activities within the region. In the early 2000s, the EU was involved in the expansion of its own market and the political transformation within the European continent and around the world. These, in turn, led to the improvement in trade; investment; developmental activities; and political dialogues between the EU and its external partners. This situation affected economic activities amongst countries and regions such as East Asia and South-East Asia outside the European continent. The European Commission (2001b:28) was known for its competence and capacities in these activities and in responding to the advent of these economic and political activities outside its territory. It developed political and economic cooperation in order to shape the global economic governance and to link its interests with this economic dynamic and the opportunities outside its region (Ibid).

The Commission was shaped by the implications of the above external developments in order to make it more coherent and cohesive in the development of its new partnership with South-East Asia. It consolidated its position and interest by responding to the emergence of bilateral and regional economic cooperation in the South-East Asia region which was affected by the USA's greater involvement and China's increasing presence in that particular region. It took this situation into account when establishing a comprehensive policy which could fulfill the needs of

the EU and its member states with respect to the region. Commission official B implied that:

The American policy certainly drove us. You see the evolution starting from negotiation with ASEAN as a second level to a regional agreement influenced by America. Yes, we were not only competing with China but also with America. Basically, those are our competitors. In the economic field, I remember that it was important from the trade side to keep an eye on American initiatives in the region. The Americans were doing the same and were also driven by the Chinese.<sup>50</sup>

This person continued by arguing that:

The rise of China of course makes us feel that ASEAN is an important area with 500 million people and a very resource-rich area. We felt that we were losing ground especially to China. We were put under pressure, I think, by the rapid rise of China who was using these countries to get more and more supplies, such as timber and oil, and then absorbing these resources into its economy. We felt we had interests to defend owing to the rise of China and the influence of American policy.<sup>51</sup>

Moeller (2007:474) argued that ASEAN viewed the EU as an unreliable partner. As shown during the Asian financial crisis in 1997, the EU lacked interest in the South-East Asia region and offered support to ASEAN via the IMF. However, it was never realized in the region. This was unlike the USA and China who approached ASEAN offering long-term involvement in the region. Feinberg (2003:1039) argued that the USA viewed bilateral and regional FTAs (with Singapore and within an ASEAN-US framework) as means by which to affect the political economy of ASEAN countries and to further the USA's security interests. Ba (2003:643) added that the rise of Chinese influence in Asia brought a closer Sino-ASEAN relationship and mitigated the USA's political and economic influence in South-East Asia. In 2002, China started FTA negotiations with ASEAN. Therefore, this situation generated the proliferation of bilateral and regional trade initiatives in South-East Asia.

With these constraints obviously evident, the Commission was in a difficult situation at that time. On the one hand, the EU's economic policy aimed mainly to conclude the WTO Doha Development Agenda (DDA). On the other hand, there were developments in the regional and bilateral economic initiatives outside Europe

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<sup>50</sup> Interview with Commission official B, 2011.

<sup>51</sup> Ibid.

particularly in South-East Asia. Commission official A pointed out that: “We were more for the multilateral [...]. At that time, there were no new FTAs at all. There was Commissioner Lamy who clearly stated that he did not want to have new FTAs until the multilateral worked since it was he who launched the DDA. Then, the USA was more active at that time. I think that was the start of the spaghetti bowl or the noodle bowl of agreements”.<sup>52</sup>

At the meeting between the Commission and the European Parliament on 2 June 2003, Erika Mann, a PSE (a socialist group) Member of European Parliament, argued that the Commission was slow to develop FTAs with its main trading partners. She stated that:

The Commission puts the multilateral approach first [...]. However, despite strong economic relations, the EU does not have a single FTA in Asia. An FTA with an Asian country will anchor the presence of the EU in that region. Regional leaders in ASEAN have indicated that agreements such as that proposed by Singapore to the EU would not endanger regional relations (European Parliament, 2003:1).

She reminded the Commission that “from a strategical viewpoint, the commercial presence of the EU would also counterbalance the influence and dominance of China and the US” (European Parliament, 2003:1). Lamy responded by saying that “it is initiatives of this kind that we are in the process of launching, particularly in South-East Asia in the form of a very recent cross-regional EU-ASEAN initiative”(Ibid). Meanwhile, Patten emphasized that South-East Asia could be one of the most dynamic growth regions in the world (European Commission, 2003d:1). The EU has shifted its focus to South-East Asia, since it responded to the above situation.

Overall, in the development of this EU policy, there was a co-operative relationship between the Commission’s collective economic interests, particularly economic interests of key EU member states and the external pressure and opportunity. These factors influenced one another. In 2003, there was an emergence of bilateral and regional economic initiatives within the South-East Asia region. It was influenced by China’s rise and the USA’s greater involvement within the region. China and the USA wanted to improve their political and economic relationship with

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<sup>52</sup> Interview with Commission official A, 2010.

ASEAN. The USA's and China's extensive involvement in the South-East Asia region affected the EU which did not want to be late in strengthening its presence in the region. The EU regarded this dynamic situation as an external pressure when it was developing its policy towards ASEAN. The EU member states' economic interests required the EU to be involved in these economic initiatives in order to achieve its economic benefits. The EU and its member states did not want to be excluded from the emergence of bilateral and regional economic initiatives in the region. The EU considered these as external opportunities and recognized the economic and political expansion of its competitors in the region. Consequently, the EU member states supported the need for the Commission to establish an inter-regional policy in order to engage with the region. The outcome was that the Commission emerged with its comprehensive policy towards the region covering trade; investment; development issues; and political dialogue.

#### **4.4. Conclusion**

There are relevant factors which influenced the development of a new partnership with South-East Asia. These are as follows: firstly, the relevant actors, involved in the formulation of this policy, were mainly the Commission and the Council. The Commission was an initiator and a coordinator in the development of this EU policy. It provided information about and consulted on its communication paper with the Council and the European Parliament before presenting it to ASEAN. The Council, unanimously, confirmed and adopted this policy. The institutional arrangement of this EU policy was placed in the Community pillar. The co-operative foundations and an inter-regional strategy for the development of this policy were the 1980 EEC-ASEAN Cooperation Agreement and a Strategic Framework for Enhanced Partnership between Europe and Asia in 2001. The legal basis for this EU policy was the Council Regulation No 443/92 on financial and technical assistance and economic cooperation with the developing countries in Asia and Latin America. The institutional arrangement of this EU policy might require the EU to include, in this EU policy, not only economic and political objectives but, also, common EU values. It enabled the Commission and the Council, also, to interact and to share their competence in creating a new partnership with South-East Asia. The Commission



and the Council had greater competence and a significant role in shaping and deciding this EU policy. The Parliament was a related actor which gave its consent to the relevant actors in that process. These actors shared a common position which enhanced their stance in achieving a new partnership with South-East Asia.

Secondly, the Commission promoted collective economic interests, particularly key EU member states and common EU values. The UK, Germany, France and the Netherlands were interested in fostering closer cooperation between the EU and ASEAN. They had trade and investment activities in South-East Asia. To some extent, the Commission promoted, also, democracy and human rights as common EU values. The collective economic interests were more dominant in this EU policy compared to common EU values. The relevant actors promoted their interests and common EU values to ASEAN within the institutional arrangement of this EU policy. They interacted with each other as the internal factors within the EU. In short, the promotion of interests and common EU values (to a limited extent) influenced the development of this EU policy.

Thirdly, the mode of engagement between the EU and ASEAN was a minimum consultation mechanism. At the consultation stage, there were two main consultations between the EU and ASEAN. For the Commission's communication paper, the EU and ASEAN discussed and exchanged their aspirations and respective positions. These consultations were means for ASEAN to explain its views on the intentions of the Commission's communication paper. However, the consultation period was insufficient for ASEAN in terms of providing feedback on the final communication paper. This was owing to the institutional complexity within the EU's structure. At the finalization stage, the Commission informed ASEAN countries only about the finalization of this EU policy.

The Commission applied a minimum consultation mechanism for two reasons. Firstly, at that time, the EU focused partially on ASEAN because ASEAN had a minimum capacity as a partner and because the EU attempted to develop bilateral relationships with ASEAN countries. Secondly, there was a necessity to enhance the EU-ASEAN development cooperation. In order to balance needs and minimize possible discontent on the part of either party, the Commission provided development and economic incentives for ASEAN. ASEAN had raised these

aspirations previously at the consultation stage between both parties. The Commission accepted these aspirations in order to build a consensus with ASEAN for a new partnership with South-East Asia. The mode of engagement was a means which the EU employed to share its interests and to gain ASEAN's confidence.

Fourthly, at that time, there was a low level of regional integration within ASEAN. ASEAN still struggled with its regional economic integration and different levels of development amongst its member states. From the beginning, the EU looked at this situation as a challenge for its new partnership with the South-East Asia region which ASEAN needed to overcome. The EU considered that an integrated ASEAN would serve its economic interests in the region. The EU's aim was to help ASEAN to establish regional integration in order to achieve a level of political and economic development similar to its own. The EU demonstrated its support for ASEAN's regional integration by offering APRIS, a poverty reduction programme, and by supporting IAI.

Fifthly, the emergence of bilateral and regional trade initiatives in the South-East Asia region can be seen both as an external pressure and as an opportunity for the EU's policy makers. The USA's greater involvement and China's rise affected the proliferation of economic initiatives in the region. The EU was in a dilemma between the preservation of its economic policy to conclude the WTO DDA and being excluded from the development of economic initiatives in the region. The Commission and the EU member states realized that, in this region, the developments would bring economic benefits for the EU's companies and investors. They attempted to defend the EU business community from discriminatory actions resulting from their not being part of many bilateral and regional trade initiatives which existed already and which were developing still in this region. Both the external pressure and opportunity had become linked co-operatively to the EU's interests and this influenced the development of this EU policy.

In the next chapter, I use my conceptual framework to examine the development of the EU's policy towards the EU-ASEAN joint monitoring mission in South-East Asia. This effort required dynamic analysis and detailed empirical evidence in order to provide a comprehensive explanation of the EU's policy in Aceh.

## **CHAPTER 5**

### **CASE STUDY OF THE EU AND ASEAN MONITORING MISSION FOR A PEACE AGREEMENT IN ACEH**

#### **5.1. Introduction**

On 15 August 2005 in Helsinki, Finland (AMM, 2005a:8), GoI and FAM agreed to sign a MoU for a peace agreement on Aceh. The EU supported the negotiations, which were mediated by Martti Ahtisaari, the leader of the Crisis Management Initiatives (CMI).<sup>53</sup> The EU's policy towards Aceh came about as a result of GoI and FAM inviting the EU and ASEAN to monitor the implementation of the peace agreement. They were appointed by the conflicting parties to form the AMM in Aceh (Council of the EU, 2005a:13-16). This was an important case in respect of the EU's policy towards Indonesia and South-East Asia. Through the AMM, it was a joint civilian mission comprised of the EU and ASEAN countries. The AMM worked from 15 September 2005 to 15 December 2006 on tasks such as the initial post-conflict security phase and building trust between the parties.

This chapter aims to explain the development of the EU's policy for the EU and ASEAN monitoring mission in Aceh. It is organized into four sections. After the introduction, the next section elaborates on the process of the peace agreement between GoI and FAM. I explain the role of the EU and ASEAN countries in supporting the peace process and implementing the peace agreement in Aceh. The third section analyses the development of the EU's policy on Aceh in the context of my conceptual framework which explains the relevant factors affecting the reasons as to why the EU launched this policy. The final section is the conclusion.

#### **5.2. The Process of the Peace Agreement between GoI and FAM**

On 26 December 2004, the tsunami swept away most areas in the Aceh province and Nias Island in Indonesia. Many people died because of this natural disaster. The situation in Aceh, post-tsunami, exerted pressure on GoI and FAM to hold talks and achieve a peace agreement. The international community sent a message to both conflicting parties that humanitarian actions and the reconstruction process in Aceh could be implemented properly, only if there was peace in Aceh.

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<sup>53</sup> An independent NGO works to resolve conflict and to build sustainable peace.

GoI and the international community worked together to respond to this situation (Awaluddin, 2009:53).

The EU's involvement began by responding to the tsunami catastrophe in Aceh and Nias Island through humanitarian and reconstruction assistance. The EU was one of the international donors participating in humanitarian, rehabilitation and reconstruction actions in these affected areas. The EU contributed € 60 million for humanitarian aid (European Commission, 2009b:4). It cooperated with UN agencies, Red Cross communities and NGOs in helping victims with food, water and shelters.

The Commission worked with GoI and other international donors to rebuild those areas affected by tsunami. GoI created the Multi Donor Fund (MDF) for Aceh and Nias Island. The MDF was co-chaired by GoI (the Rehabilitation and Reconstruction Agency); the World Bank, and the EU. They had five priorities for these affected areas which were: (1) community recovery; (2) governance; (3) economic development; (4) environmental sustainability; and (5) infrastructure. The EU was the biggest contributor to the MDF, around USD 604.91 million (European Commission, 2009b:3 and World Bank, 2011:1).<sup>54</sup>

The Commission acted not only in a humanitarian capacity but, also, as a facilitator for a peace process in Aceh. In January 2005, the Commission's Predrag Avramović and Aldo Dell'Ariccia visited Indonesia to examine the situation in Aceh. They attempted to find out what the CMI could do as a mediator in peace talks between GoI and FAM. In February 2005, the CMI communicated intensively with Avramović to obtain financial support from the Commission. The Commission, with Solana's approval, provided financial support to the CMI with a total amount of € 269,375 within the framework of the Rapid Reaction Mechanism (RRM)<sup>55</sup>. The EU hoped that, within six months, the CMI would be able to mediate in the peace talks between GoI and FAM (Herrberg, 2008:32-35).

In January 2005, GoI and FAM started officially a peace dialogue in Helsinki. Ahtisaari and the CMI were requested to mediate and facilitate between these conflicting parties. There were five rounds of discussions between GoI and FAM before they achieved a peace agreement. The first round of discussions discussed the

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<sup>54</sup> See Appendix 8.

<sup>55</sup> It allows the Community doing rapid action in order to respond to crisis.

framework for special autonomy in Aceh. The parties had diverging positions because GoI proposed, as a solution for Aceh, the Aceh Special Autonomy Laws which had been passed by the Indonesian Parliament in 2001. However, FAM wanted to discuss a framework of independence for Aceh. Ahtisaari emphasized to FAM that it should follow his proposed agendas such as special autonomy for Aceh; an amnesty and related procedures; security arrangements; and a monitoring mission. Ahtisaari formulated a time table for the implementation of a peace agreement between GoI and FAM (Awaluddin, 2009:73-101).

The second round of discussions was held from 21 to 23 February 2005. They discussed the following two main agendas which were: firstly, the concept of special autonomy versus the concept of self-government. On the one hand, GoI proposed the concept of special autonomy. On the other hand, FAM responded to the GoI's offer by insisting on the concept of self-government. However, Ahtisaari changed the terminology of special autonomy into regional autonomy in order to bridge the differences between both parties. He opened the ongoing discussion on this particular issue which would continue to the third round of talks. In the second agenda, they discussed the composition of a monitoring mission which consisted of military and civil elements and the roles of the EU and ASEAN as monitors of the peace agreement.

The third round addressed several agendas such as, firstly, an amnesty for all Acehese detainees, who had been sentenced for FAM activities in Indonesia, and for all FAM activists who were abroad. Secondly, they discussed the structure of regional government which had been included in the special autonomy. The regional government had an authority to decide its own department structure based on its own needs. Thirdly, the regional autonomy would be concerned with a division of revenues which would return to Aceh around 70 % of its natural resources and related affairs. It was an offer from GoI to convince FAM about the future of Aceh. Furthermore, Ahtisaari invited Brigadier General Jaako Oksanen, a Finnish army official who had great experience in international monitoring programmes, to discuss a future monitoring mechanism with both negotiating parties. Ahtisaari proposed to GoI and FAM that the EU and ASEAN would be included in future monitoring activities such as monitoring institutions (Awaluddin, 2009:139-149). The EU,

through the Council's PSC, showed its good will to participate as an observer during the process of peace negotiations between GoI and FAM (Europe, 2005a:4).

In the fourth round of discussions, Ahtisaari re-invited GoI and FAM to hold peace negotiations from 26 to 30 May 2005 in Helsinki. There were the following two main agenda items at this meeting. The first agenda item was FAM's proposal of local political parties. The second agenda item was the presence of Pieter Feith and Dell'Araccia from the EU at this round of discussions. Out of two main agenda items, the most sensitive agenda item was the issue of local political parties for GoI because it was contrary to public opinion and was politically sensitive in Indonesia. FAM wanted to use local political parties as its political vehicle in Aceh. GoI suggested that FAM propose a judicial review by the Indonesian Constitutional Court on the issue of local political parties. However, FAM was concerned that the Indonesian Constitutional Court would not allow the idea of local political parties in the framework of the unitary state of Indonesia (Awaluddin, 2009:177-179).

On the second agenda item, Ahtisaari proposed to GoI and FAM a peace monitoring system which involved the EU and ASEAN as monitoring bodies. The peace monitoring system involved neutral third parties in order to monitor the implementation of their peace agreement in Aceh. GoI and FAM showed its positive signal to the peace monitoring system. Sofyan Djalil, a member of the Indonesian delegation, carefully reminded all parties that any hidden international agenda and initiatives should be opposed (Awaluddin, 2009:180). This is discussed in the next section.

The final round of discussion between GoI and FAM was held between 12 and 17 July 2005. There were three main agenda items at this meeting. Again, the most controversial agenda item, between the two sides, was the issue of local political parties. On the one side, FAM restated its position on this issue that they form local political parties. On the other side, GoI offered representation through the national political parties and assistance in manpower for the registration and verification of political parties. In the end, they agreed to provide an opportunity for the establishment of local political parties. GoI and the Indonesian Parliament passed Law No 12 of 2006 on the Aceh Government which allowed for the creation of local political parties in Aceh. Another agenda item was GoI's offer to FAM of special

autonomy for Aceh. GoI and the Indonesian Parliament revised Law No. 18 of 2001 regarding Special Autonomy for Aceh. The last agenda item was the participation of the EU and ASEAN as monitors of the peace agreement which had been agreed by GoI and FAM (Awaluddin, 2009:198-221). The EU sent its officials to this last round of discussions between both parties. The EU delegation did not join the plenary session of peace discussions. It met each party separately in order to achieve a common understanding between them of a monitoring mission (Ibid, p.201-221). Feith (2007:2) who joined the last round of meetings argued that “this situation built trust and developed collaboration between negotiators and monitors”. After six months of peace negotiations between GoI and FAM, both parties reached a peace agreement on 17 July 2005 (Europe, 2005b:3).

Hamid Awaluddin, as GoI’s Chief Negotiator, and Malik Mahmud, as FAM’s Chief Negotiator signed, in mid-August 2005 in Helsinki, the MoU on the peace agreement for Aceh (AMM, 2005a:1). They were accompanied by Ahtisaari as the mediator of the peace talks, Erkki Tuomioja, the Finnish Foreign Minister, and Matthew J.L. Kirk, Ambassador of the UK to Finland since, at that time, the UK held the Presidency of the Council of the EU, and represented the EU (Awaluddin, 2009:300-303).

In September 2005, the EU, five ASEAN countries (Singapore, Malaysia, Thailand, Philippines and Brunei Darussalam), Norway and Switzerland assisted GoI and FAM with the key tasks in monitoring the implementation of the MoU. These were as follows (Council of the EU, 2005g:1):

1. To monitor the demobilization of FAM and monitor and assist with the decommissioning and destruction of its weapons, ammunition and explosives;
2. To monitor the re-location of non-organic military forces and non-organic police troops;
3. To monitor the reintegration of active FAM members;
4. To monitor the human rights situation and provide assistance in this field in the context of the tasks set out in points (1), (2) and (3) above;
5. To monitor the process of legislation change;
6. To rule on disputed amnesty cases;
7. To deal with complaints and alleged violations of the MoU; and
8. To establish and maintain liaison and good cooperation with the parties.

The AMM consisted of 226 unarmed monitors comprising 130 from EU member states, Switzerland and Norway and 96 persons from ASEAN countries. It was funded by collective contributions from the Council of the EU, the EU member states, ASEAN countries, Norway and Switzerland. The AMM's total budget was € 15,022,621. The budget of the EU's CFSP could provide only € 9 million for the AMM. The rest of the funding was provided by the EU member states and non EU member states based on a willing and able basis (Europe, 2005d:7). Seven EU member states contributed € 5,103,621; they were Sweden, Finland, the Netherlands, the UK, Belgium, Luxembourg and Ireland. ASEAN countries, Norway and Switzerland as non EU member states contributed € 919,000 (see Table 5.1).

**Table 5.1**  
**Financial Contributions from the Council of the EU; the EU Member States;**  
**ASEAN Countries; and Non-EU Member States**

No	Name	Description/Year of 2005	Total
1	The Council of the EU		€ 9,000,000
2	Sweden	A. 13 persons for 210 days (including office cost in Medan) → € 1,503,000  B. Equipment and running cost → € 2,656,000	€ 4,159,000
3	Finland	Mail screening X-Ray Equipment for the security officer and body armour/helmets	€ 300,000
4	The Netherlands	5 months running cost for 77 satellite phones	€ 275,000
5	The UK	8 telephones secure 16 base station HF 2 faxes encryption	€ 150,000
6	Belgium	1 plotter, 3 servers, 2 back up systems, 1 office package for software for all computers and 34 GPS handheld with data cable combined 12 V adapter	€ 150,000
7	Luxembourg	37 desktop computers	€ 44,621
8	Ireland	2 digital projectors, 2 racks, 270 power extension cords, 2 protection and climbing seats, 1 lump sum start up web and 1 accounting package	€ 25,000
	Bilateral contributions by ASEAN and non-member states:		
1	ASEAN countries Thailand	Helicopter flights and fuel MEDEVAC and for the missions 20 troops	€ 919,000
	Norway	3 monitors for 6 months	
	Switzerland	3 monitors for 6 months	
	<b>TOTAL</b>	EC+EU member states+ASEAN countries & non-EU member states	<b>€ 15,022,621</b>

Source: Council of the EU (2005b:6-10).

With regard to the involvement of the Commission in humanitarian and reconstruction efforts, the total amount of the EU's humanitarian, development and



peace mission assistance in Aceh was € 301,261,588 from 2004 to 2009 (European Commission, 2009b:4). The Commission supported the AMM through its peace mission assistance. The European NGOs involved themselves in the implementation of the Commission's projects in the following development efforts: the humanitarian phase; the rehabilitation phase; and the reconstruction phase. In considering the humanitarian phase, many NGOs such as Aide Médicale International, Save the Children UK, CARE Netherlands and German Agro Action from the UK, the Netherlands, France, Germany and Nordic countries were involved in assisting victims of the tsunami in Aceh. In considering the rehabilitation and reconstruction phases, NGOs and private sectors such as the EC Joint Centre and Deutsche Gesellschaft für Technische Zusammenarbeit were active in the development of Aceh (Ibid).

Commission official H argued that the EU would promote its civilian mission in Aceh to the world as an alternative approach to solving a long civil war through political dialogue. This person explained that:

After the tsunami 2004, the Government of Indonesia and FAM came to their senses and decided that because of the tsunami had lost so many lives, it would not make sense to continue fighting. We got an indication that both parties wanted to sit down. We helped them to sit down, we paid for it and we promoted the mediation at that time of ex Finish President Ahtisaari. On the whole, the negotiation was successful. The civil war ended. Aceh pulled itself together.<sup>56</sup>

This person further argued that: "This was an instance of the EU getting involved in a war in a part of the world, doing good and leaving behind a useful foot print. I wish that we would be able to sell our civilian missions in Aceh, Kosovo and Bosnia".<sup>57</sup>

Overall, the AMM was crucial in supporting the implementation of peace in Aceh. The EU demonstrated to the international community that a crisis civilian management could be overcome if it worked closely with all conflicting parties, ASEAN countries, Norway and Switzerland. Moreover, in the AMM, the politico-security cooperation between the EU and ASEAN was effective in supporting South-East Asia as a peaceful and stable region. Next, I analyse factors which influenced the development of the EU's policy on Aceh.

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<sup>56</sup> Q&A session with Commission official H, a public seminar, the UK, February 2010.

<sup>57</sup> Ibid.

### **5.3. Analysis of the EU and ASEAN Monitoring Mission in Aceh**

#### **5.3.1. The Relevant Actors in the EU's Policy Development on the EU and ASEAN Monitoring Mission**

The EU member states and the Council of Ministers were the relevant actors involved in the development of the EU and ASEAN monitoring mission. The Commission, Ahtisaari and the CMI were related actors who had supporting and intervening roles in the context of the development of the EU's policy on the EU and ASEAN monitoring mission in Aceh. Council official B emphasized that the Council of Ministers was the significant actor in the development of this EU policy. The mandate for the AMM was implemented by the General Secretariat of the Council of the EU.<sup>58</sup> Council official B elaborated by stating:

Some elements considered by the Council of the EU when it developed this EU policy. First, there was a political will within the Council. Second, the financial arrangements employed to support the AMM. Third, the EU member states achieved a common position to establish joint action. Fourth, the formulation of joint action within the Council of the EU was a crucial element at that time. The European Commission was present at that time to assist the Council of the EU in the implementation of a monitoring mission in Aceh.<sup>59</sup>

Commission official C explained that the development of the EU's policy on the establishment of the AMM was a collective work of relevant actors within the EU. This person stated that:

Yes, it was like a combination. Once you had political will, it came down and let us work together. One actor is clearly the Commission and there was strong support from the Commissioner and good cooperation between RELEX and EuropeAid.<sup>60</sup> On the other hand, there was strong support from the High Representative Javier Solana and strong support from the Political and Security Committee and Civcom.<sup>61</sup>

In short, this person argued that: "The mission was more on the political track [...] It was decided: leave it to the Council and the Commission followed with support packages".<sup>62</sup>

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<sup>58</sup> Interview with Council official B, 2011.

<sup>59</sup> Ibid.

<sup>60</sup> One of Directorate Generals in the Commission.

<sup>61</sup> Interview with Commission official C, 2011.

<sup>62</sup> Ibid.

The Council of Ministers had given the PSC a mandate to prepare and draft legislation and an operation plan for the EU civilian mission in Aceh. It led to the coordination of the development of policy on the EU and ASEAN monitoring mission in Aceh. It worked closely with the EU member states; the Commission; and related external parties such as the ASEAN countries, Norway and Switzerland. The EU member states, actively involved in the development of the EU policy on a joint EU and ASEAN monitoring mission, were the UK, the Netherlands, Belgium, Ireland, and several Nordic countries. The legislation papers and operation plan were authorized and adopted by the EU member states in the Council of Ministers. The report mechanism of the AMM was authorized by the Council of Ministers, represented by the High Representative of CFSP and the PSC. The High Representative of the CFSP and the PSC prepared and reported any AMM development to the representatives of EU member states at the Council.

The Commission had a role to play in supporting the Council of Ministers through its complementary programmes, logistics and financial aid. Through the EU's humanitarian and development assistance, the Commission played its role as a supporting actor in the implementation of the peace agreement in Aceh. With regard to the work of the AMM, the Commission complemented and combined its humanitarian and development assistance with the EU's ESDP (Rintakoski *et al*, 2006:6-7).

Moreover, Commission official C argued that: "The European Commission provided support packages for the AMM".<sup>63</sup> This person explained that these packages involved programmes designed to support the economy and democracy within the Aceh province. The programme for democracy provided support with future elections; local human right courts; and civil courts within the city of Medan. The programme for the economy provided support for economic planning; and office of governor and with efforts to reintegrate former combatants.<sup>64</sup> The Commission allocated € 30,392,545 to its support programmes for a peace process in Aceh (European Commission, 2009b:4).

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<sup>63</sup> Ibid.

<sup>64</sup> Interview with Commission official C, 2011.

Ahtisaari and the CMI were both an individual and a NGO who had intervening roles in the negotiation phase and the implementation phase of the peace agreement. As mediator and facilitator, they were involved actively in the negotiation process of the peace agreement between GoI and FAM. Ahtisaari was careful and decisive in translating and balancing the aspirations of both conflicting parties. He approached both parties and drafted the peace agreement based on his neutral position as a seasoned and respected mediator. He played his role as a bridge between the conflicting parties and the EU and ASEAN which might work together for the implementation of the peace agreement in Aceh. He persuaded and convinced high ranking officials from the Commission and the Council of the EU and representatives of the EU member states as to the importance of the collective action of the EU and ASEAN on the joint civilian mission in Aceh.

Ahtisaari stated that:

He was impressed how the EU could react professionally and quickly to his request to have monitors sent to Aceh. He was very grateful to Commissioner Ferrero-Waldner and the High Representative Javier Solana because both were very supportive. Then, he needed member states, so he had gone to talk to member states. They had many demands actually because the EU asked more and more as the UN could not do everything and relied very much on regional actors. There was the special role as well that they had to assist regional organizations whether it was ASEAN or the African Union (CMI, 2008).

In the implementation of the peace agreement, Ahtisaari's role as the Chairman of the Board of the CMI was important since with regard to the dispute settlement mechanism he was a final decision maker for unresolved disputes. The peace agreement between GoI and FAM stated that the final decision on unresolved disputes would be taken by the Chairman of the Board of the CMI after consultations with the Coordinating Minister for Political and Security Affairs of the Republic of Indonesia and the political leader of FAM. Then, the Chairman of the Board of the CMI would inform the PSC. The final decision would be binding on all parties (AMM, 2005a:8). The participation of Ahtisaari and the CMI dealt with the dispute settlement activities and was supported by the RRM, the Norwegian Government and the Swiss Government (CMI, 2005:1).

In considering the roles of various actors, I need to outline the institutional arrangement and legal basis for this EU policy in order to examine the way relevant actors interacted and how related actors were involved in the development of this EU policy. The institutional arrangement for the EU's political and security policy towards South-East Asia was based on an inter-governmental framework and resided in the CFSP pillar. Title V of the Maastricht Treaty was the legal basis of the institutional arrangement in the CFSP pillar. The decision-making mechanism, in the area of CFSP, was based on consensus or unanimous decision amongst the EU member states (EUR-Lex, 1992b:1). The institutional arrangement for this EU policy was different from the institutional arrangement for a new partnership with South-East Asia which was coordinated by the Commission with the consent of the Council, in the Community pillar, and was based on unanimity or a qualified majority mechanism for its decision-making. The EU asserted that the Community and CFSP pillars would coordinate and avoid their overlapping. Some revisions such as the Amsterdam Treaty and the Lisbon Treaty were finalized by the EU to ensure the CFSP's effectiveness (Europa, 2011a:1).

Commission official C elaborated further on the institutional arrangement for the EU's policy development for the AMM. This person explained that:

You have in the Council various working groups. One was called Military Staff and they report to another working group called Military Committee. Then, you have a strategic planning guidance called the PSC and they report to the ambassadors, at the COREPER. Then, you have the Council. At the same time, in parallel you have the Commission on working groups and you have Director General, the body in the Commission that is one called RELEX. The Commission was represented everywhere. The Commissioner was Benita Ferro Walder. You have another Director General called Europe Aid. There was planning committee called Civcom.<sup>65</sup> They all interacted.<sup>66</sup>

Council official B demonstrated the process of development in the EU's policy for the CSFP. This person explained that a draft of the policy was formulated at working group level, such as COASI (Asia-Oceania Working Party) within the Council of the EU. The draft of the policy was submitted to RELEX where all political and financial issues were drafted, discussed and scrutinized. Afterwards, the

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<sup>65</sup> The Committee for Planning of Civilian Crisis Management Missions.

<sup>66</sup> Interview with Commission official C, 2011.

PSC assessed the draft of the policy and agreed it. Subsequently, it would be agreed by the COREPER and, finally, the policy was concluded by the General Affairs and External Relations Council.<sup>67</sup>

The process of the development of the EU's policy towards Aceh started before the finalization of the peace negotiations between GoI and FAM. The Council of Ministers led the development of this EU policy. Through the EU's support programmes, the Commission was responsible for supporting the Council of Ministers. The PSC deployed the Joint Council Secretariat/Commission observer mission to consider the possibility of a civilian mission in Aceh from 24 June to 2 July 2005 (Herrberg, 2008:35). The observer mission's report was concluded on 6 July 2005.

Following the above development, GoI and FAM declared their intention to invite the EU and ASEAN to assist with and monitor the implementation of a peace agreement. GoI sent invitations to the EU and ASEAN to participate in the AMM on 12 July 2005. FAM declared, also, its support for EU and ASEAN participation in the AMM (Council of the EU, 2005j:3).

Afterwards, the Council of the EU discussed the result of the observer mission's assessment. The EU member states were divided into two different positions. On the one hand, Finland, the Netherlands, Sweden and France were supporters of the EU's involvement in Aceh. On the other hand, all the other EU member states were reluctant to support the EU's participation in Aceh because they did not regard Aceh as their political and security priorities. Their reasons were that Aceh was located in South-East Asia which, geographically, was far away from Europe. They were more concerned about their problems closer to home and the real challenges such as migration; human trafficking; and poverty issues in the Central and Eastern part of Europe; the African continent; and the Mediterranean region, (Braud and Grevi, 2005:21-22).

The supporters of the EU's involvement in Aceh approached the UK with the aim of working together to support the EU's civilian mission in Aceh. At the Council of the EU, Ahtisaari and Feith persuaded the opponents from the EU member states to act together as a unitary actor to explain the challenges and potential of the EU's

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<sup>67</sup> Interview with Council official B, 2011.

monitoring mission in Aceh. This opportunity would improve the EU's profile, if the EU were to employ the CFSP in South-East Asia. The UK, which, at that time, held the presidency of the Council, was convinced by Ahtisaari's and Feith's explanation (Herrberg, 2008:34). The UK agreed to support the EU's involvement in Aceh (UK Parliament, 2005a:1). The UK's role was crucial in bridging the gap between supporters and opponents and uniting all EU member states (UK Parliament, 2006:1). At the end, the Council agreed to support the EU's involvement in Aceh. Commission official C added that, when they established the AMM, all of the EU member states supported the EU's involvement in monitoring a peace agreement in Aceh.<sup>68</sup>

The Council of Ministers noted the report from the Joint Council Secretariat/Commission's initial observer mission to Aceh on 18 July 2005. It supported the final outcome of the peace negotiations between GoI and FAM. It agreed to prepare observers to monitor the implementation of the peace agreement between GoI and FAM. The Council assigned related bodies, within the EU, to communicate with ASEAN and its member countries in order to establish a joint mission to monitor a peace agreement between GoI and FAM (Council of the EU, 2005a:13).

With the PSC's knowledge, the General Secretariat of the Council of the EU sent, on 19 July 2005, a draft of a crisis management concept for an AMM to the delegations of EU member states (Council of the EU, 2005j:1). On the same date, the PSC invited RELEX to give advice, with regard to the legal, institutional and financial implications, on the possible options for a mission in Aceh. The PSC hoped that RELEX would provide advice at its next meeting of 26 July 2005. Meanwhile, the EU confirmed its involvement in monitoring the implementation of the peace agreement when, on 22 July 2005, it responded to a letter of invitation from GoI (Official Journal of the EU, 2005, Annex I:2).

The RELEX held two meetings between 20 and 25 July 2005 to discuss the PSC's request. Arising out of the RELEX meetings, the Presidency proposed to the delegations of the EU member states for consideration some points concerning the legal basis and financial budget for a mission in Aceh. The most important issues were the financial options for the mission in Aceh which were as follows: firstly, the

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<sup>68</sup> Interview with Commission official C, 2011.

CFSP budget would cover all the mission's financial expenses in Aceh. Secondly, the CFSP budget would cover partial financing and the rest of the expenses would be incurred by the EU member states. Thirdly, if the CFSP budget was insufficient to finance the mission, the Council would negotiate with the European Parliament to increase it further. Fourthly, the EU member states would be able to contribute on a voluntary basis. Fifthly, the mission would be funded by the RRM and the ALA programme with the Commission and EU member states agreeing a framework. Finally, the mission would be funded by a core CFSP budget and additional European Community measures with procedures and autonomous competence to support the main goals of the peace process in Indonesia (Council of the EU, 2005c:8).

There were several differences between the Commission and the General Secretariat of the Council of the EU when considering the legal basis for the budget affairs of the EU's civilian mission in Aceh. Firstly, the Commission argued that the first stage of financial assistance for the AMM could be done through the RRM and the ALA programme (Council of the EU, 2005c:5). However, the Council Secretariat argued that the RRM and the ALA programme could not be used to finance civilian missions undertaken by the CFSP (Council of the EU, 2005d:1).

The second difference in opinion between them concerned the readiness of the Commission to support the monitoring mission under the CFSP with direction and control from the PSC (Council of the EU, 2005c:5). However, the Council's budgetary rules of the monitoring mission, based on Article 28.3 of the Title V Treaty of the EU (TEU) mentioned that: "Operating expenditure to which the implementation of those provisions gives rise shall also be charged to the budget of the European Communities, except for such expenditure arising from operations having military or defence implications and cases where the Council unanimously decides otherwise" (EUR-Lex, 2006:23). Therefore, the CFSP budget was suitable for funding an ESDP mission in Aceh which would be implemented under Title V TEU (Council of the EU, 2005c:6).

The third difference was over the AMM's operational report and whether or not it would be provided by the Commission or the Council of the EU. Technically, the Commission should approve the amendment of the budget from the original plans



(the RRM and the ALA programme). Therefore, the lines of command, for the AMM, could reduce the PSC's political control and the strategic direction. When implementing the ESDP, this situation could be a new precedent for the Commission. Consequently, the control of EU member states over the ESDP could be eroded because of this situation (Council of the EU, 2005c:6). The Council Secretariat argued that the RRM and the ALA programme were inappropriate mechanisms to fund security and military missions (Council of the EU, 2005d:1). At the time, the CFSP budget could provide € 6 million for the first stage of the mission in Aceh (Council of the EU, 2005c:2).

These differences led to uncertainty amongst the EU policy makers and the EU member states when they created and supported the AMM. The main reasons were, firstly, there was no clear information with regard to the concrete situation in Aceh and, secondly, there was no budget prediction for the AMM. The General Secretariat of the EU Council calculated the estimated fund, for an operation by the AMM in Aceh, to be € 13 million (Braud and Grevi, 2005:26). This calculation was based on the latest field assessment in Aceh and on other experiences of the EU civilian missions in the world (Ibid).

The PSC had a meeting on 26 July 2005 to work on a comprehensive plan for the EU monitoring mission which could be discussed and decided by the Council of Ministers in early September 2005. At the meeting, Solana, during the attendance of Ahtisaari, argued that the EU should deploy its civilian mission and that its financial support could be provided by the CFSP budget. The reason for this was that the final round of discussions between GoI and FAM was successful, which urged the EU member states to establish AMM as noted in a draft MoU between GoI and FAM and determined the stance of the EU when sending its mission to Aceh (Herrberg, 2008:35).

Solana discussed preparations for monitoring the peace agreement with ASEAN countries at the post-ministerial meeting of ASEAN and the ARF on 28 and 29 July 2005 in Vientienne, Lao PDR (Europe, 2005b:3). In August 2005, the EU, advanced ASEAN countries and GoI intensified their communication in order to reaffirm and consult on their concrete actions for their joint mission. The EU and ASEAN established the Technical Assessment Mission (TAM) and the Initial

Monitoring Presence (IMP) to prepare and collect all relevant information for the formulation of the policy initiative and the preparation of the operation plan. I discuss, in greater detail in the next section, the interactions between the EU and ASEAN when the TAM and the IMP was established.

However, at this point, it must be noted that these interactions led the General Secretariat of the Council of the EU (the PSC) to propose, to the delegations of the EU member states on 31 August 2005, legislative acts (Council of the EU, 2005e:1) and a legislative financial statement for Joint Action by the Council on the AMM. In the end, a legislative financial statement was based on Article 14 of the TEU which was indicated by way of a financial reference to the amount of money required for the whole duration and the conditions for the implementation of the Joint Action. The fund for the Joint Action was based on the will of the relevant political authority and the availability of commitment appropriations for the financial year (Ibid, p.4 and Council of the EU, 2005b:3). It demonstrated financial commitment from the Council of the EU (2005b:1-10); contributions in kind by the EU member states; and bilateral contributions by non EU member states.

On 9 September 2005, the Council of Ministers agreed to Joint Action 2005/643/CFSP on the AMM. The PSC agreed to a draft of an operation plan for the AMM. Later, the General Secretariat of the Council of the EU sent a draft of the above plan to the delegations of the EU member states for their authorization (Council of the EU, 2005f:1). Then, the AMM was formed on 15 September 2005.

The Council of Ministers authorized the Presidency of the Council to make arrangements for the participation of Third States. These were based on Article 10 of Joint Action 2005/643/CFSP on the AMM and Article 24 of the TEU which stated that:

“The Secretary-General/High Representative, assisting the Presidency may negotiate such arrangements on its behalf. Where the EU and a Third State have concluded an agreement establishing a framework for the participation of these Third States in the EU crisis management operations, the provisions of such an agreement shall apply in the context of the AMM” (Council of the EU, 2005a:15).

The UK, as the President of the Council, made and signed agreements in the form of an Exchange of Letters between the EU and participating ASEAN countries for their involvement in the AMM (Council of the EU, 2005h:1). These agreements

were signed by Charles Humfrey (British Ambassador to Indonesia) and sent to participating ASEAN countries on 26 October 2005. These agreements explained the invitation for ASEAN countries to join the AMM and the status, privileges and immunities for the personnel deployed. These were based on the agreement between the EU, GoI and ASEAN countries (Presidency of the Council of the EU, 2005:1).

Overall, the EU member states and the Council of Ministers were the relevant actors in the development of the EU's policy for the AMM. The Joint Action 2005/643/CFSP on the AMM was taken on the basis of the Council of Ministers' unanimous decision. The development of this EU policy was divided into two levels as follows: firstly, the administrative level of policy initiation, preparation and implementation; and, secondly, the political level of the decision-making mechanism. At the administrative level, the General Secretariat of the Council of the EU coordinated with the Commission the formulation of the policy initiative; the operation plan; and the financial legislation for the monitoring mission in Aceh. Before arriving at the Council of Ministers, the PSC and the COREPER discussed the policy initiative; an operation plan; and the financial legislation. Within the process of this EU policy development, the PSC and the Commission had different approaches for financing the AMM. At the political level, the Council of Ministers acted unanimously to reach a joint action plan on Aceh. Led by the High Representative of CFSP, it prepared an operation plan and coordinated the implementation of the EU policy.

The institutional arrangement of this EU policy was a basis of support for relevant actors to coordinate and interact between themselves in order to tackle political and administrative issues in the creation of AMM. It enabled the Council Secretariat and the Commission to have legal debates which had implications for the possibility of change in the line of command and for any financial contribution by the EU institutions and member states to the EU mission. These debates shaped the potential routes which the EU initiatives could take (Zito, 2000:171) particularly on the EU's decision to take on the ESDP in Aceh. The institutional arrangement provided options for relevant actors which would have implications for the institutional mechanisms and the financial structures of CFSP and the Community pillars. For example: firstly, the change in actors' competence would erode the

authority of EU member states in the ESDP; and, secondly, the financial sources for ESDP would become an unclear issue in fund allocation from the CFSP or the Community budgets.

The Commission, Ahtisaari and the CMI were the related actors in the development of this EU policy. The Commission supported the implementation of this EU policy through such as logistics, supplementary programmes and budgetary supports. Ahtisaari (the CMI) had an intervening role by persuading and convincing the EU member states to support a monitoring mission in Aceh. He would be, also, a final decision maker for unresolved disputes in the implementation of a peace agreement between GoI and FAM. In short, the Council and the EU member states shared a common position with the Commission and Ahtisaari (the CMI) in supporting this EU policy. This demonstrated how these above mentioned actors (especially EU member states and the Council of Ministers) influenced the development of this EU policy.

### **5.3.2. The Promotion of Interests or Values in the EU's Policy Development on the EU and ASEAN monitoring mission**

I argue that the development of the EU's policy on the EU and ASEAN monitoring mission in Aceh was driven by the promotion of the EU member states' politico-security interests and the EU's global interest with regard to the South-East Asia region. Additionally, the Commission promoted the EU's humanitarian values in helping GoI after the tsunami disaster. It was involved in humanitarian action; rehabilitation; and reconstruction in Aceh and Nias Island.

The EU institutions perceived the AMM as a means of promoting a combination of the EU's interests and values. Commission official C stated that: "Yes, it is about political and security interest. Things are usually more complex than that".<sup>69</sup> Council official B pointed out that: "The EU promoted political and security interests and also values at the same time. The European Council promoted peace and democracy as its values in the principle of EU treaty".<sup>70</sup>

There are four examples which illustrate the EU member states' politico-security interests and the EU's global interest in respect of South-East Asia. These

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<sup>69</sup> Interview with Commission official C, 2011.

<sup>70</sup> Interview with Council official B, 2011.

are, firstly, according to the research data, the UK was interested in ensuring that, during the period of the British EU presidency, the EU could expand its presence and influence in South-East Asia (Foreign and Commonwealth Office, 2005:26). The UK held the presidency of the EU from July to December 2005. Jack Straw, the British Foreign Secretary coordinated the Council of the EU. On behalf the EU Council Presidency, he welcomed the deployment of the AMM in Indonesia. He pointed out that a peaceful solution between two conflicting parties in Aceh would be of benefit to Indonesia and the people of Aceh and would be a valuable example at regional and international level (Europe, 2005e:5).

An official, from the UK, explained the UK considered that the EU presence in the South-East Asia region had shown civilian capability/operation in Aceh, Indonesia. The UK wanted to see that the EU was capable of responding to the problem with a civilian mission, monitoring and police training. Aceh was a test case for the EU in the region.<sup>71</sup> The EU member states' interest was demonstrated by the realization of the EU's role in civilian and military operations in other parts of the world. The AMM aimed to build a close link with the EU's ongoing project of improving the EU's role in this region. The EU member states wanted the EU to maintain a peaceful and stable situation in this region. Collectively, via the AMM, the EU could test its Civilian Crisis Management and implement a Civil-Military Planning Cell (Howorth, 2007:212).

Another official from the UK explained that, through the AMM, the UK was involved actively in humanitarian assistance and also peace monitoring in Aceh. This person stated that:

In the case of Aceh, people in the UK were very affected by the tsunami.[...] That also made a big difference to the way that we reacted when we were asked to help. I just think that people felt that Aceh had had enough, the Aceh people deserved better for the peace. We sent peace keeping missions to various places which were something we could contribute and part of our contribution. I know the British Ambassador who was in Indonesia at that time was very active.<sup>72</sup>

This person further explained that: "The fact was that there had been 30 years of conflict and nobody really knew about it. There was pressure for a long time to do

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<sup>71</sup> Q&A session with a national official of the UK at a seminar in the UK, March 2010.

<sup>72</sup> Interview with a UK national official, Jakarta, 29 July 2010.

something. Yes, we were very active but it was not just us, we had many partners within the EU who were very keen to help”.<sup>73</sup>

According to the UK’s official document, the UK government reported that: “The government fully supports the continued development of EU relationships with regional organizations, including with ASEAN where the cooperation on the 2005-06 EU-led Monitoring Mission in Aceh demonstrated what could be achieved” (UK Parliament, 2008, Chapter 4:9).

Secondly, as discussed previously, the UK, the Netherlands, Belgium and Nordic countries wanted to implement the first EU CFSP/ESDP operation in South-East Asia. The reasons were: firstly, Nordic countries were the initiators in the creation of a civilian aspect of the ESDP (Keukeleire and Mac Naughtan, 2008:181); and, secondly, the others hoped the EU could increase stability and its profile in South-East Asia. We can see clearly their interest in supporting the AMM through their real contributions in order to add the contribution for monitoring the implementation of the peace agreement in Aceh (see Table 5.1) to the Council of the EU. They were major financial and logistic donors for the operation of the AMM in Aceh. The peace talks between GoI and FAM, mediated by Ahtisaari and the CMI, were supported by financial assistance from the Netherlands Government and the Finnish Government (CMI, 2005b:1). Germany and France were supportive, also, of the development of the EU policy on Aceh particularly with regard to the mediation role performed by the AMM. Germany undertook to provide technical assistance through the EU which would promote mediation and peace building in Aceh.<sup>74</sup> France contributed civilian monitors for the EU’s observer mission and the AMM (French Embassy in the UK, 2005:1).

Thirdly, according to the research data, the EU wanted to develop a good relationship with Indonesia because it was a leading actor in ASEAN and a vital partner of the EU in South-East Asia. The developments in ASEAN were connected with Indonesia. It was, also, the most populous moslem nation which had moderate views on Islam. Commission official H explained that: “Why we so concerned about

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<sup>73</sup> Ibid.

<sup>74</sup> Interview with a national German official, Jakarta, July 2010.

Aceh? Because we were helping sort out the longest civil war in the biggest moslem country which had strategic importance for us”.<sup>75</sup>

The armed conflict in Aceh would affect political security and economic situations in Indonesia and, also, in South-East Asia. This situation could have crucial implications, particularly with regard to the security of shipping traffic in the Malacca straits; and the refugees and internally displaced people. Commission official B stated that:

Aceh was important for two reasons as follows: first, it demonstrated that Indonesia was an incredible partner. Do not forget that Indonesia is a leading partner in ASEAN. [...] The fact that ASEAN as a group was moving forward also had to do with Indonesia. Indonesian leadership is important. Second, ASEAN played a role in that. It improved the counterpart aspect of both Indonesia and ASEAN.<sup>76</sup>

This person added that: “Indonesia is a crucial country because it is a dominant Moslem country that is fighting radicalism. We want to have stronger links with a moderate Moslem country. Demonstrate the other side, to dis-link between Islam and terrorism that is very important. Beside security interests to do with Malacca strait, refugees, stability of the region, it is also at that time was very important”.<sup>77</sup>

Fourthly, the Netherlands had special interests in Indonesia because Indonesia was an important former Dutch colony. An official from the Netherlands qualified the above argument by saying that: “The Netherlands would be very much in support of it and also contributing to this. There is a special relationship between the Netherlands and Indonesia.[...] This would be a special case. The Netherlands would be cautious and very eager/willing to help, if Indonesian authority would be okay with that”.<sup>78</sup> According to this person, there were special domestic interests on the part of the Dutch people and parliament to support the Dutch government in being pro-active in encouraging the EU to be involved in Aceh.<sup>79</sup>

The Council of Ministers, representing the EU, demonstrated its political and security interests in supporting international peace and security especially in South-East Asia. In October 2005, Jack Straw, representing the Council, explained that

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<sup>75</sup> Q&A session with Commission official H, 2010.

<sup>76</sup> Interview with Commission official B, 2011.

<sup>77</sup> Ibid.

<sup>78</sup> Interview with a national official from the Netherlands, Brussels, 31 March 2011.

<sup>79</sup> Ibid.

AMM was the first ESDP mission to be deployed in Asia and underlined the EU's commitment to peace in Aceh. It was in line, also, with the European Security Strategy and contributed effectively to the development of CFSP/ESDP (Council of the EU, 2005i:12).

The EU institutions and the EU member states had integrated their actions in their civilian peace mission; and in their humanitarian action and development programmes in Aceh and Nias Island. They divided their actions into three phases; humanitarian; rehabilitation; and reconstruction. The EU member states provided their development assistance through regional and bilateral channels. Examples were that the Commission, on behalf of the EU (regional channel), was the biggest contributor to humanitarian action, reconstruction and to the peace process in Aceh and Nias Island (USD 282.24 million). The EU member states such as the Netherlands (USD 171.60 million), the UK (USD 76.01 million), Sweden (USD 20.72 million), Denmark (USD 18.03 million), Germany (USD 13.93 million), Belgium (USD 11.05 million), Finland (USD 10.13) and Ireland (USD 1.20 million) provided bilaterally their development assistance to GoI (European Commission, 2009b:3 and World Bank, 2011:1).<sup>80</sup> The EU's humanitarian and development aid complemented its peace mission which promoted its values to Indonesia and South-East Asia.

The development of the EU's policy on the EU and ASEAN monitoring mission in Aceh was driven by the promotion of the EU member states' politico-security interests and by a collective interest of the EU with regard to South-East Asia (Council of the EU, 2005j:2-3). The UK, the Netherlands, Belgium and the Nordic countries encouraged the EU to employ CFSP/ESDP in Aceh for the purpose of creating a stable South-East Asia region. The EU aimed, also, to build a good relationship with Indonesia as the biggest populous Moslem country around the globe. This meant that key member states influenced still the policy outcome of the EU and ASEAN monitoring mission. They persuaded other EU member states to achieve a joint action based on a consensus decision within the inter-governmental framework.

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<sup>80</sup> See Appendix 8.



All EU member states used the CFSP/ESDP to act collectively based on their own limited resources within the framework of the EU civilian mission. With regard to the CFSP/ESDP, the EU wanted to promote common EU politico-security interests in order to increase its profile in South-East Asia and in Asia. Also, the EU included partly its humanitarian and developmental values in its ESDP in Aceh because it aimed to preserve peace and stability in South-East Asia. These values played a role as well in complementing the EU's politico-security interests. Overall, when developing this EU policy, the promotion of politico-security interests was the main influence rather than common EU values.

### **5.3.3. Mode of Engagement between the EU and ASEAN**

The EU had employed consultations and monitoring mechanisms as its modes of engagement to interact with ASEAN. The PSC and the High Representative for the CFSP represented the EU to communicate and work with ASEAN within the framework of the AMM. Feith was a facilitator to bridge between the PSC, ASEAN countries, GoI and FAM. The EU started to engage in peace talks between GoI and FAM when the CMI invited the EU's involvement in the fourth round of negotiations. The EU's officials gave a presentation about the EU's role as a monitoring body, if GoI and FAM achieved a peace agreement.

At the same time, the PSC discussed the possibility of deploying an observer mission in Aceh. In a communication between Ahtisaari and Solana and with the consent of GoI and FAM, it was agreed to send an observer mission to Aceh. The EU, ASEAN and the CMI sent their own observer mission to Aceh on 28 June 2005. The observer mission aimed to assess the latest situation in Aceh; its infrastructure; and the facilities for a future peace monitoring mission. It consisted of twelve representatives from the EU, ASEAN and the CMI. There were 7 persons from the EU, 3 persons from ASEAN and 2 persons from the CMI (Antara, 2005a:1).

The PSC engagement continued, by assisting GoI and FAM, to implement a peace agreement. The EU accepted a letter of invitation from GoI which was endorsed by FAM. Subsequently, the Council of Ministers gave its assent to the PSC to invite and talk with ASEAN in order to discuss joint action for the civilian mission in Aceh. As mentioned earlier, there were 5 advanced ASEAN countries interested in and involved in this monitoring mission.

Following this background, the EU and ASEAN divided their joint action into two phases: (1) the phase of preparation; and (2) the phase of implementation. In considering the preparation phase, the EU employed a consultation mechanism as its mode of engagement with ASEAN. In this joint mission, the EU and ASEAN agreed to share areas of expertise and resources. On the one hand, the EU developed the planning framework and the financial support for a joint monitoring mission. On the other hand, ASEAN countries recognized the Acehese culture; and its religion (Islam) and traditions. A majority of ASEAN monitors could speak Indonesian language when communicating with and understanding the Acehese people (Feith, 2007:4-5).

The EU, ASEAN and GoI had consultation meetings on 1 and 2 August 2005. The delegation of the EU, led by Feith, consisted of seven persons from the General Secretariat of the Council of the EU, the Commission, the EU Presidency and the CivMil Cell. There were five delegations from the participating ASEAN countries (Antara, 2005b:1). The meetings aimed to discuss and scrutinize the work mechanism and technical issues for a future monitoring mission. The representatives of the EU, ASEAN and GoI discussed the possibility of cooperation between the EU and ASEAN when monitoring the implementation of a peace agreement between these conflicting parties once it was signed. Meanwhile, the foreign ministers of the EU and ASEAN countries agreed to support a peace process between GoI and FAM and the possibility of deploying a joint monitoring mission between the EU and ASEAN in Aceh (Europe, 2005f:3).

In the consultation meetings, the EU shared its strategy with ASEAN countries and GoI in order to formulate legislative papers and an operation plan for the AMM. In order to reach a collective position on the monitoring mission in Aceh, ASEAN's 5 member states and GoI included their aspirations in the EU strategy. The main results of their consultation meetings were, as follows: firstly, they reaffirmed their intention to establish the AMM. Secondly, at the same time, the EU and ASEAN established the joint EU-ASEAN TAM and the IMP. Their aim was to prepare for the EU and ASEAN civilian mission. Thirdly, the AMM planned to implement its mission for six months with the possibility of a further six months. The EU led the AMM for the first six months with Feith (Netherlands/the EU) as its Head and

Lieutenant General Nipat Thonglek (Thailand/ASEAN) as the Principal Deputy Head (Council of the EU, 2005f:4-5). Feith received a mandate to lead and bridge the TAM and the IMP because he understood the institutional mechanisms and bureaucratic procedures within the EU.

On 3 August 2005, the joint EU-ASEAN TAM and GoI visited Aceh to observe the latest situation there. The assessment mission consisted of 28 people who were 18 from the EU, 6 from ASEAN and 4 from GoI (Antara, 2005c:1). The TAM aimed to assess the AMM's technical and logistic needs and to map the field situation. It prepared the Concept of Operations for the effective deployment of the IMP which had not received a formal mandate from the Council of Ministers. When preparing logistics for the AMM, the TAM faced difficulties because Aceh was swept away by the tsunami. The TAM composed an operation plan in the field and sent it to Brussels for discussions at the PSC and finalization at the Council of Ministers. The development of the EU's policy for a joint EU and ASEAN monitoring mission was based on the TAM's final report which took into account the intentions and aspirations of GoI, FAM and ASEAN countries.

The EU and ASEAN established the IMP as a preparatory body for a monitoring process in Aceh lasting from 15 August to 15 September 2005. The IMP followed up with a field assessment report of the TAM after the peace agreement was signed by both conflicting parties. The IMP would operate after the TAM finished its mission for a field assessment in Aceh. The IMP's objectives were to build people's confidence in the peace agreement and to create the AMM (2005b:1). The IMP was established within 12 days of the deployment of TAM (Feith, 2007:3-4). The General Secretariat of the Council of the EU planned for the IMP to be deployed before 15 September 2005 in order to provide training for the EU and ASEAN monitors in the early stages of the implementation of the peace agreement. There were two preparation teams to support the establishment of the IMP. As explained previously, the first team dealt with political and budgetary affairs in Brussels. The second team tackled all field issues in Aceh. Arising out of this process, the PSC consolidated the formulation of legislative papers for the Council Joint Action on the AMM.

In practice, the IMP faced many obstacles such as the lack of financial support with regard to financial and technical issues, for the preliminary mission in Aceh. Most EU officials covered their own travel fees and accommodation costs. The EU member states assisted IMP members to accomplish their early mission, for example: Sweden and the UK contributed funds (UK Parliament, 2005a:1). Before 15 September 2005, the IMP provided special training for the EU and ASEAN monitors (Council of the EU, 2005k:11) in FAM demobilization; weapons decommissioning; amnesty for FAM activists; and reintegration of former combatants

In considering the implementation phase, the EU and ASEAN operated their mission by applying a monitoring mechanism through the AMM. The AMM divided its tasks into three stages, as follows: (1) the stage of decommissioning and redeployment; (2) the stage of reintegration for FAM, including an amnesty for FAM and taking into account the human rights situation; and (3) the stage of legislation change.

In the stage of decommissioning and redeployment, the AMM monitored the decommissioning and disarmament of FAM. It took three months to take possession of 840 weapons from FAM and destroy them in December 2005. Between September and December 2005, it monitored the redeployment of military troops and police forces from Aceh. The total number of military troops and police forces were 25,890 people and 5,791 people respectively. The tasks of AMM were based on Articles 4 and 5 of the MoU which focused on the security agreement (AMM, 2005b:1).

In the FAM reintegration stage, the AMM monitored the implementation of the FAM reintegration process which focused only on an amnesty for FAM activists/combatants with regard to the human rights situation in Aceh. On 31 August 2005, GoI gave an amnesty to all political prisoners and ex-combatants of FAM. GoI provided an integration fund for 3,000 people from FAM. GoI built the Aceh Reintegration Agency (ARA) on 15 February 2006. The ARA consisted of government representatives, FAM's representatives, NGOs and academics. It aimed to work closely with local and national governments and international donors to form and implement post-conflict livelihood-projects for ex-combatants of FAM. The AMM monitored the works of the ARA in order to assist the FAM reintegration process. It considered the human rights issues for the ex-FAM members and

combatants. It supported the improvement in knowledge and appreciation on the part of civil servants and NGO activists with regard to human rights. The AMM created the Commission of Security Arrangement (COSA)<sup>81</sup>. COSA had regular meetings every week at district and provincial levels to discuss the progress of the reintegration process, incidents and other kinds of issues.

With the approval of GoI and FAM, the EU extended the AMM operation was three times between February, June and September 2006. This extension was caused by the lengthy political transition process which was time consuming particularly when waiting for legislation on governing Aceh to come into effect and the time needed to process the local election in Aceh. Solana stated as follows: “I am certain that this extension will contribute to the further strengthening in confidence and trust between the two parties” (Falletti, 2006a:14 and 2006b:14).

After the Indonesian Parliament’s revision of the Law on Governing Aceh, GoI, FAM and the AMM agreed to observe and secure the provincial election in Aceh which was scheduled for 11 December 2006 (Falletti, 2006c:12). The election was held in a peaceful and democratic manner. Irwandi Yusuf, FAM’s former leader, was elected as the Governor of Aceh.

Furthermore, Feith declared that: “It’s not often that we can claim success at the end of a crisis management mission. We have shown what we are capable of, but it is up to the governments of the region to take the initiative” (Falletti, 2006d:14). Solana emphasized that: “After thirty years of armed conflict, peace and stability have been restored to Aceh. It’s a great success” (Ibid). He added that this collective mission between the EU and ASEAN was “an important new phase in the EU and ASEAN cooperation” (Europe, 2005c:2). In 2007, at the 30 year Commemorative Summit between the two regions in Singapore (Council of the EU, 2007b:3), the EU and ASEAN recognized AMM’s good performance.

Cooperation between the EU and ASEAN countries took the form of an innovative peace monitoring mission because the two regional organizations were working together. The EU and ASEAN applied a pro-active monitoring mechanism. They were not only monitoring and providing comments for all relevant parties in the implementation of the peace agreement but, also, they sought contacts with all

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<sup>81</sup> It consisted of representatives from the GoI, FAM and the AMM.

relevant parties in order to solve problems as they arose and to drive the peace process in the right direction. They established the COSA mechanism. All parties agreed that COSA was a means in assisting the peace process to move forward in a constructive and positive way (AMM, 2006:1).

Commission official C explained that there were positive and innovative exchanges between the EU and ASEAN countries when they worked together on establishing the AMM and monitored the implementation of the peace agreement. This person argued that, when it interacted with ASEAN, the EU applied consultation and monitoring mechanisms as modes of engagement. This person pointed out that:

ASEAN's participation emerged as a useful addition or necessity. It was in the air, it was also an organic process. It was understood that way and 5 ASEAN members were willing to join. One point I would like to make on the mission: it was innovative. The way you interpret things conveys your reality. Monitoring, in theory, means that you stay outside the process. You are an observer. You see how things evolve and you comment. This was accepted as a common concept of monitoring but in reality we went a step further.<sup>82</sup>

Council official B added that: "There were interactions between the EU and ASEAN, through consultation and monitoring. The EU engaged with GoI, ASEAN countries and the Local Government in Aceh".<sup>83</sup>

The AMM had implications at the local/national and regional level through its proactive approach in Aceh. At the local/national level, the AMM included GoI and FAM in the monitoring process. The AMM maintained communication with both parties and civil society organizations in order to build trust and confidence amongst stakeholders. At the regional level, the AMM was a crucial stepping stone for ASEAN to build a political and security community in South-East Asia. ASEAN could develop self-sufficiency during the negotiations on the peace process and implementing peace on the ground and, thereby, preserving a peace agreement between both conflicting parties (Feith, 2007:4-5).

On the whole, modes of engagement had an effect on relevant actors within the EU. They had linked co-operatively during the development process of the EU's

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<sup>82</sup> Interview with Commission official C, 2011.

<sup>83</sup> Interview with Council official B, 2011.

policy on the EU and ASEAN joint monitoring mission in Aceh. The EU's implementation of consultation and monitoring mechanisms involved relevant actors within the EU together with ASEAN, GoI, FAM and Ahtisaari (the CMI) with the aim of creating the AMM and implementing the AMM's tasks.

In the preparation phase, the PSC and ASEAN, with the assistance of GoI, FAM and the CMI, worked together, in their consultation meetings in Jakarta, to establish the TAM and the IMP as corner stones for the creation of AMM. The EU and ASEAN exchanged aspirations and distributed assignments between them in order to assess the field situation and to fulfill the AMM's needs. The PSC used a final assessment of TAM as a basis to formulate the operation plan for the Council Joint Action on the AMM which were to be authorized by the Council of Ministers. In the implementation phase, the EU and ASEAN worked together to monitor the implementation of the peace agreement. Ahtisaari found a solution for unresolved disputes between GoI and FAM. These interactions between relevant actors, within the EU, and other actors outside the EU had been carried out through consultation and monitoring in the preparation and the implementation phases. These modes of engagement were the *modus operandi* of the EU, ASEAN and other actors outside the EU for exchanging ideas; building a cross-actor consensus; and executing the agreement. The EU, ASEAN and other actors, from outside the EU, were inclined to adjust and aggregate their aspirations. The consultation mechanism facilitated the dynamic interactions of these actors and supported a pro-active monitoring mechanism which went further than the general concept of monitoring. The EU-ASEAN monitoring mission was not only observing but, also, verifying and urging the implementation of a peace agreement in Aceh.

#### **5.3.4. The Level of Political and Security Integration within ASEAN**

At that time, within ASEAN, there was no high level of political and security integration because ASEAN focused more on its economic consolidation in the ASEAN Economic Community (AEC) and other institutional instruments for the ASEAN Community as a whole. I examined the latest preparation for ASEAN political and security integration when the EU and ASEAN cooperated on the monitoring mission in Aceh. I aimed to understand the way in which ASEAN conceived its regional political and security integration. Then, I explain the

relationship between the level of ASEAN's regional political and security integration and the development of the EU's policy on the EU and ASEAN monitoring mission in Aceh.

In the 2000s, we were in an emerging multipolar world (Lin and Dailami, 2011:1). The implications of the above situation were, firstly, the global powers (eg. the US, China and India) were not involved in ideological conflict as in the Cold War era. Secondly, many actors were involved in global affairs, for example, nation states; regional and international organizations. Power was distributed amongst many actors in IR. Thirdly, the scope of issues focused not only on politico-military matters but, covered, also, other political, economic, conflict prevention, trans-national crimes and environmental degradation issues (CRIS, 2010:10). Consequently, nation states were involved in political and security engagements, if there were interests and resources-constraints in the region. In order to address the above developments, nation states consolidated and integrated their competence and resources within a regional organization. Political and security integration was a regional organization's long-term objective and was designed to cope with the challenges and developments as indicated above.

With regard to ASEAN, amongst its member states and non-member states, it had two main channels of political and security collaboration such as the ARF and the ASEAN Political and Security Community (APSC). The ARF was a forum for discussing political and security issues within the South-East Asia region in order to achieve stability there. It aimed to open consultation on new and common political and security issues which emerged as a result of a changing world. It contributed to preventive diplomacy in the Asia-Pacific regions, such as confidence-building; early-warning systems; and fact-finding (ASEAN Secretariat, 2010a:1). ASEAN worked together with other external partners to create a conducive and constructive relationship in South-East Asia.

In 2003, the ASEAN leaders ratified the APSC based on the Declaration of ASEAN Concord II. The ASEAN leaders decided on the acceleration and realization of the ASEAN Community to 2015. The ASEAN leaders can relax the APSC blueprint beyond 2015, if ASEAN needs to strengthen its consolidation and to improve the overall capacity of the ASEAN countries (ASEAN Secretariat, 2009e:5).



The APSC is based on the ASEAN Security Community Plan of Action which included many activities designed to realize this Community's aims (ASEAN Secretariat, 2010f:1). The Vientiane Action Programme (VAP) covered the measurement for progress between 2004 and 2010. In 2005, ASEAN countries were preparing still the ASEAN Charter as its legal foundation. They were formulating the blueprint which would cover a roadmap and a time-schedule for the realization of this Community in 2015.

Based on the above explanation and as mentioned in Chapter 3 the level of political and security integration within ASEAN, at that time, was categorized as a weaker form of political and security integration. It meant that ASEAN countries formed a political and security cooperation based on flexible inter-governmental agreements such as the ARF and the early ratification of APSC. ASEAN countries employed the ARF as a diplomatic means to promote its political and security cooperation with its external partners in order to maintain regional stability in South-East Asia. Political and security cooperation within ASEAN countries was based still on a state-regime. Unlike the EU, ASEAN was not a supranational organization.

These situations had profound implications. The development of the EU's policy towards the EU and ASEAN monitoring mission and the level of ASEAN's political and security integration were interconnected. The Council of Ministers accepted a level of ASEAN political and security integration because the first EU-ASEAN joint monitoring mission, in South-East Asia, would be able to test and develop further its ESDP Civilian Crisis Management (Council of the EU, 2007h:2). Also, a successful monitoring mission might contribute positively to the development of the ASEAN Security Community (Council of the EU, 2007a:2). The EU and ASEAN believed that the joint EU and ASEAN monitoring mission in Aceh would foster and improve the level of ASEAN's political and security integration (Council of the EU, 2007b:3). The EU realized that it needed the involvement of ASEAN in order to form a legitimate joint civilian mission in this region (Council of the EU, 2006a:18). It encouraged ASEAN contributing countries to join the AMM. The EU viewed ASEAN as a valuable partner in the AMM because ASEAN was a neutral party and could be accepted by GoI and FAM as a monitoring body.

As pointed out by Commission official C: “The level of integration in ASEAN at that time was not terribly decisive, I would say, because ASEAN although you made progress in your level of integration with your ASEAN charter [...]. You have not and still have not-and maybe you do not want to-reached a level of supranational integration that we have in the EU”.<sup>84</sup> This person further stated that “the question was always if ASEAN then which ASEAN member state would represent ASEAN [...]. We always said that if the boss of AMM is a European and then the deputy must be from ASEAN”.<sup>85</sup> Council official B added that “the level of ASEAN integration was not decisive at that time”.<sup>86</sup>

Considering it from the side of GoI and ASEAN, according to Awaluddin, GoI trusted and respected ASEAN countries fully in their involvement in monitoring the implementation of the peace agreement in Aceh. Each of the ASEAN countries considered that solidarity amongst members was very high. This solidarity was regarded as a basis of regional integration within ASEAN. It was a philosophical foundation for the creation of ASEAN. The participation of ASEAN countries in the AMM was shown in the implementation of ASEAN’s founding.<sup>87</sup> ASEAN agreed that the AMM provided a framework of cooperation between ASEAN countries to resolve conflicts and developed the ASEAN Security Community whilst strengthening EU-ASEAN politico-security ties (ASEAN Secretariat, 2005c:1).

In considering it from the EU’s side, the Council of Ministers understood that ASEAN had only the ARF as a venue in which to discuss political and security issues in South-East Asia. It is important to acknowledge the fact that ASEAN announced its future objective to establish the APSC based on the 2003 ASEAN Concord II. The EU took all such aspects into consideration. The EU realized that when, in 2005, it established the AMM with ASEAN, it was the weaker form of ASEAN political and security integration. In July 2005, the Council assigned related bodies, within the EU, to open communication with ASEAN in order to create the AMM. The EU persuaded ASEAN, particularly advanced ASEAN countries, to join

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<sup>84</sup> Interview with Commission official C, 2011.

<sup>85</sup> Ibid.

<sup>86</sup> Interview with Council official B, 2011.

<sup>87</sup> Interview with Hamid Awaluddin, the GoI, E-mail, 31 May 2011.

a collective monitoring mission. These advanced ASEAN countries were representing ASEAN.

Overall, within ASEAN, the level of political and security integration reflected a period when such integration was less robust. Within ASEAN, the level of political and security integration was relevant but it was not decisive in the development of this EU policy. Interestingly, the EU needed the involvement of ASEAN in the monitoring mission in order to legitimize its actions and to increase its credibility in Indonesia and South-East Asia. Commission official D argued that: “The EU sees itself as sharing many characteristics with ASEAN as a regional institution and felt that a joint approach with ASEAN gave it added strength and legitimacy”.<sup>88</sup> At the same time, ASEAN countries could demonstrate their ASEAN solidarity with Indonesia through their involvement in the AMM. Their involvement would contribute to ASEAN political and security integration because of their experience in dealing with politico-security conflicts in South-East Asia. This situation would develop the EU-ASEAN politico-security cooperation.

Therefore, there was a co-operative linkage between the level of political and security integration within ASEAN and the promotion of the EU’s politico-security interests. These internal and external factors fitted with one another. This situation led the EU to persuade advanced ASEAN countries to participate in the joint EU and ASEAN monitoring mission in Aceh. The EU acknowledged the level of political and security integration within ASEAN when it developed the joint EU and ASEAN monitoring mission in Aceh.

#### **5.3.5. External Opportunities and Concerns in the EU’s Policy Development on the EU and ASEAN Monitoring Mission**

The external opportunities and concerns in the policy development of the AMM were categorized into the geo-political element as they linked to politico-security issues and aimed to preserve peace and stability in South-East Asia. These external opportunities were the GoI’s and FAM’s willingness and readiness to discuss, reach and implement a peace agreement between them and the UN’s absence as a monitor in Aceh. There were concerns from GoI about the internationalization of

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<sup>88</sup> Interview with official D, the Commission, E-mail, 7 April 2011.

domestic affairs and international interference due to the EU and ASEAN involvement as monitors in Aceh. I examine these above mentioned external opportunities and concerns. Afterwards, I assess the way in which external opportunities and concerns affected the development of the EU's policy towards the EU and ASEAN monitoring mission and the implication of this situation for the EU's comprehensive approach towards Indonesia and South-East Asia.

The conflict between GoI and FAM was about the lack of fulfilled promises which had arisen much earlier and the recognition of identities. The basic pattern of conflict between these parties was FAM's insurgency movement versus GoI's military response. When there were riots and civilian unrests in Aceh, GoI sent many police and armed forces to secure and stabilize Aceh.

In 2004, there was a paradigm shift in outlook on the part of Indonesian leaders especially in the case of Soesilo Bambang Yudhoyono and Jusuf Kalla who were Coordinating Ministers for Political and Security Affairs and People Welfare. On 20 October 2004, they were inaugurated as President and Vice President of Indonesia. They believed that a permanent solution to the armed conflict in Aceh could be reached by means of a peace agreement between GoI and FAM. They shifted their approach on the Aceh issue from a security and military approach to a political approach.<sup>89</sup> In November 2004, Yudhoyono visited Aceh on his official mission as the President of Indonesia. As mentioned on his presidential campaign in September 2004, he reminded FAM that it had to end its armed conflict with GoI (Radio Netherlands Wereldomroep, 2004:1).

In December 2004, the tsunami struck and devastated Aceh and Nias Island. Yudhoyono looked upon this situation as a human disaster and, also, as 'a narrow window of opportunity' to recall the leaders of FAM to talk and find a peaceful solution in Aceh. Yudhoyono explained to his aides that: "I was sure that if we could show to FAM that we were sincere and serious by offering a win-win solution, FAM will come to talk with us"(Djalal, 2008:20-21).

Kalla discussed confidentially with Juha Christensen, his business colleague from Finland, the possibility of seeking a peaceful solution in Aceh (Schulze, 2007:3). Christensen explained to Ahtisaari that it was the intention of GoI to hold

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<sup>89</sup> Interview with Commission official C, 2011.

peace talks with FAM. At the same time, with the consent of Yudhoyono, Kalla established informal contacts by sending his aides to meet the leaders of FAM to discuss the possibility of peace talks (Djalal, 2008:23). FAM showed, also, its interest in participating in peace talks with GoI. In pursuing FAM, Kalla (2008:82) explained that:

I had been involved in Aceh since 2003. In early 2004, I visited Europe to try to meet the FAM leader Malik Mahmud, but did not make direct contact. It was only after the December 2004 tsunami that I really had success. In January 2005, I set up a meeting with FAM with the help of a number of European ambassadors. Two weeks later, with the authority of the President, the first meeting with FAM took place.

Ahtisaari explained to Ferrero-Waldner and Solana that it was GoI's and FAM's intentions to have peace talks. Ahtisaari received positive signals from these EU high officials and the EU agreed to fund him as a mediator in the negotiations between GoI and FAM.<sup>90</sup> The EU was committed to supporting the following actions, if there would be a peace agreement between these conflicting parties. Ahtisaari and the CMI mediated in the peace talks between GoI and FAM.

There were crucial aspects which were of concern to GoI and FAM regarding the peace agreement and the international monitors in the peace talks. These were, as follows: firstly, GoI and FAM showed their willingness and readiness to talk and negotiate about a peace solution for Aceh. Meanwhile, FAM's situation was weak because of GoI's military and diplomatic pressure which led to FAM's readiness to open dialogue with GoI.

Secondly, GoI realized that after the implementation of martial law between 2003 and 2004, FAM's institutional and military capabilities had been weakened. GoI was quite cautious about international intervention which could assist FAM to consolidate its institutional strength and military capabilities.

Thirdly, GoI did not want the UN's involvement because of its previous experience with East Timor and following the Papua issue.<sup>91</sup> In 1999, the UN's involvement in the referendum for a peaceful solution to the East Timor conflict led to a majority of East Timorese voting for independence from Indonesia (UNTAET,

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<sup>90</sup> Interview with Commission official C, 2011

<sup>91</sup> The Free Papua Movement rebels wanted West Papua to be an independent state because they questioned the Act of Free Choice in 1969 (it was held by the UN(2012:1)) which resulted in a majority of Papuans voting in favour to integrate into Indonesia) and the issue of human right abuses.

1999:1). The EU was a potential option as a monitor together with ASEAN since the UN would not be involved in supporting the peace process in Aceh (Aspinall, 2008:13). It is important to bear in mind that the international interference in domestic affairs was a sensitive issue in South-East Asia, especially in Indonesia. GoI was keen to select the EU and ASEAN as monitors in the implementation of a peace agreement with the clear understanding that there would be no internationalization of the Aceh issue. Commission official D stated that: “The Indonesian Government was not keen on the UN’s involvement following Papua. The EU was a nice compromise and given that Sweden was hosting many FAM exiles this was a significant factor and important for Jusuf Kalla”.<sup>92</sup>

Finally, GoI and FAM showed their intentions to involve the EU and ASEAN to maintain their neutrality and balance as they did in their tasks as monitors in Aceh. Both parties’ acceptance of the EU and ASEAN, as monitors in the implementation of a peace agreement, was a positive signal for the involvement of external parties.

The EU member states and the Council of Ministers viewed the above situation as external opportunities. GoI’s and FAM’s willingness and readiness to resolve their conflict by means of a peaceful solution and the absence of the UN in this peace process provided a possible situation in which the EU could become involved in the monitoring mission. Awaluddin’s view was that the involvement of the EU and ASEAN as monitors was intended mainly to build trust and confidence between GoI and FAM in order to implement and comply with every point in the peace agreement. He explained some reasons why GoI selected the EU were: firstly, Ahtisaari had a good relationship with the EU and, secondly, Ahtisaari and Kalla believed that the EU’s involvement could foster confidence that both GoI and FAM would fulfill their promises in the peace agreement.<sup>93</sup> Some reasons why GoI selected ASEAN were: firstly, Indonesia was a key player in South-East Asia. Secondly, ASEAN’s participation would make communication easier with ASEAN leaders in whose countries many FAM people were citizens. For example, Malik Mahmud holds Singapore nationality.<sup>94</sup>

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<sup>92</sup> Interview with Commission official D, 2011.

<sup>93</sup> Interview with Awaluddin, 2011.

<sup>94</sup> Ibid

The EU considered, also, these situations which might increase its presence in the South-East Asia region. Interestingly, the interests of the EU member states and the EU itself were affected by external factors in the development of this EU policy. The interests of the EU member states and the EU itself were in co-operative linkage with these external opportunities shown in the willingness and readiness of both conflicting parties to resolve their conflict and in the absence of the UN from this process. The EU member states promoted their politico-security interests in preserving peace and stability in this region. The EU promoted, also, its presence in the region. Through the ESDP, the EU and its member states considered this as a positive momentum towards working together with GoI and ASEAN countries in order to support peace and stability in the region. The EU implemented different ways of promoting political and security interest by employing its combination strategy consisting of its civilian mission and by providing humanitarian and development assistance in the region.

According to Commission official C, the EU observed the armed conflict in Aceh and saw a possible opportunity for its involvement in supporting a peace process in a modest way. The EU identified the right opportunity and came up with a comprehensive approach covering security, structural and developmental aspects. This person stated that: “Of course, we observe these conflicts and look at the opportunity but to say from that to project the EU as a global player is going too far. At least in South-East Asia, let’s be modest. If there is an opportunity and if you can take it up, it is okay and if you cannot take it up it is okay”.<sup>95</sup>

In the negotiation process of the peace agreement, witnessed by Ahtisaari, GoI and FAM agreed to use the good services of the EU and ASEAN in a peace monitoring mission. Ahtisaari reminded both parties about the involvement of the EU and ASEAN and stated that: “Should you have such an invitation for monitors, we can arrange and discuss with all the 25 countries in the EU. Afterwards we can visit Aceh and study the field situation and make an assessment. We would require a full mandate from both sides. We will only operate within the framework of a monitoring system agreed by the parties”(Awaluddin, 2009:195).

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<sup>95</sup> Interview with Commission official C, 2011.

However, Djalil took care to raise concerns with regard to the issue of international interference in Indonesia's domestic affairs and the internationalization of the Aceh issue which needed to be resisted as an agenda item for the international community (Awaluddin, 2009:180). Feith responded to the concerns of Djalil by referring to the concept that this mission should be approved by both parties (Ibid). Feith argued that: "Undoubtedly, we will have to work with TNI [Indonesian National Armed Forces]. We will have to rely on TNI for part of this mission" (Ibid, p.196).

Awaluddin shared this view and argued that the EU delegation discussed operational issues and what the EU would do after the substantial points were agreed by GoI and FAM. The EU was not involved in the substantial dialogues between both parties.<sup>96</sup> The EU carefully took into account several crucial aspects which could be seen as external concerns. Feith suggested that: "We will prepare a concept for this mission as well as a budget and legal basis so as to be able to perform this mission we have been given"(Ibid).

Commission official C explained that GoI was quite careful about international interference in domestic issues, such as Aceh. This person confirmed that:

I give you an example in ASEAN you have the mantra of non-interference. It was clear that Jakarta deployed it at that time, had to come forward with the message that yes, if the EU come but we do not want to internationalize the conflict because it is domestic issue and therefore non-interference from nobody. We do have to invite ASEAN and we do not want Europe to interfere. But at the end, you see that there was a monitoring mission.<sup>97</sup>

This person further stated that: "We offer the mission. We declared publicly that this was not interference and this was not intended to guide Indonesian policy. It is to help the peace process which is underway".<sup>98</sup> The EU considered these external concerns which needed to be accommodated in its final policy on the joint monitoring mission with ASEAN in Aceh (Council of the EU, 2005j:2). These external concerns affected the development of the EU's policy on Aceh.

Feith (2007:3-4) indicated that the works of the AMM were included in the EU's inter-regional policy aims of developing security and creating stability in

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<sup>96</sup> Interview with Awaludin, 2011.

<sup>97</sup> Interview with Commission official C, 2011.

<sup>98</sup> Ibid



South-East Asia. The EU assisted Indonesia and ASEAN through the AMM and post-tsunami reconstruction programmes. The AMM showed a new aspect of the EU and ASEAN countries' partnership. Solana added that: "It was also the first time that we worked in partnership with monitors from ASEAN countries" (Council of the EU, 2006b:1). The EU and ASEAN could collaborate in preserving peace and in improving economic development in Indonesia specifically and in South-East Asia in general through capacity building and development aid.

Clearly, the EU increased its visibility in its monitoring mission and desire to take an active role in the South-East Asia region. The EU realized that it could employ conflict resolution skills, diplomatic expertise and development aid in order to resolve conflict; to provide humanitarian assistance; and to improve economic cooperation with ASEAN. The EU, together with ASEAN, deployed its civilian mission by monitoring a peace agreement between GoI and FAM. Also, after the tsunami disaster, it was involved actively in humanitarian and reconstruction responses. Through this unique strategy, the EU could win the hearts and minds of people in the region.

The willingness and readiness of GoI and FAM to resolve their conflict and the vacuum created by the UN's absence in that process were external opportunities for the EU to become involved. At the same time, the internationalization of the Aceh issue and the EU and ASEAN international intervention into Indonesian domestic affairs were external concerns for the EU. These external opportunities and external concerns could combine usefully with common EU politico-security interests and strengthen further the EU's role in Indonesia and South-East Asia. This situation allowed the EU not only to promote its politico-security interests by taking these external opportunities but, also, it required the EU to take into account these external concerns carefully in the development of its policy. The result of the AMM would establish the EU's credibility on its neutrality and future relationships with Indonesia and ASEAN. This suggests that these external opportunities and concerns had a significant effect in the development of the EU's policy towards the AMM.

#### **5.4. Conclusion**

There are relevant factors which influenced the EU's policy development toward the EU and ASEAN monitoring mission in Aceh. These are: firstly, the EU

member states and the Council of Ministers were the relevant actors who were significant and decisive in the development of this policy. The EU member states were the decision-makers in this EU policy. The Presidency of the EU, at that time, and the contributing EU member states shaped and affected the collectiveness of the Council of Ministers when it decided on a final outcome of this EU policy. The General Secretariat of the Council of the EU (PSC) was an initiator and a coordinator in drafting and forming this EU policy. Solana played an important role as a guardian and executor of this policy. He represented the Council of the EU and the EU when it dealt with ASEAN, the CMI, GoI and FAM. The Commission supported the Council and the EU High Representative for CFSP in the implementation of this EU policy. It complemented the peace monitoring mission in Aceh with humanitarian assistance; peace building; and local governance programmes. Ahtisaari and the CMI had intervening roles in the development of this EU policy. They persuaded the Council and the Commission that they should be involved in supporting the monitoring mission in Aceh. They bridged, also, the negotiation and monitoring processes in the peace agreement between these conflicting parties.

The institutional arrangement for this EU policy provided relevant actors with choices which, possibly, might erode their competence and create an unclear issue regarding financing sources for ESDP (eg. the funding allocation of CFSP or the Community budgets). It facilitated, also, the Council and EU member states with a framework in which to discuss, with the Commission and Ahtisaari (CMI), the legal and political implications of its involvement in Aceh and to start communication with ASEAN, the GoI and FAM in order to build confidence between them and prepare the AMM. Overall, relevant and related actors agreed collectively to support the peace process in Aceh which affected in a positive way the creation of AMM.

Secondly, the EU member states and the Council of Ministers promoted their politico-security interests and their presence in the South-East Asia region. The UK, the Netherlands, Belgium, the Nordic countries and the General Secretariat of the Council of the EU implemented the CFSP/ESDP in the region as a manifestation of their politico-security interests. The way in which the EU promoted their political and security interest was to collaborate with ASEAN in monitoring the peace agreement in Aceh. The Commission supported the AMM, in Aceh, with

humanitarian and development programmes. The main objectives of the EU's involvement were to develop a relationship with Indonesia as the emerging leader of the region; to strengthen its inter-regional ties with ASEAN; and to further its presence in the South-East Asia region. As demonstrated by the EU's humanitarian and development programmes, common EU values were less important (complementary) in this case.

Thirdly, the EU and ASEAN used consultation and monitoring mechanisms as their modes of engagement. With regard to the preparation phase of the AMM, there were two main consultations between the EU and ASEAN. The EU employed a consultation mechanism to take into account ASEAN's aspirations in order to establish the TAM and the IMP and to formulate legislative papers and an operation plan for the AMM. The EU, along with ASEAN, all stakeholders and the people of Aceh built trust and confidence by supporting the joint mission between EU and ASEAN. ASEAN countries used this consultation mechanism as a means of promoting their aspirations to the EU with regard to the future AMM. The EU took onboard the ASEAN countries' aspirations in order to form a solid mission.

With regard to the AMM implementation phase, the EU and ASEAN used a pro-active monitoring mechanism as a means of overseeing the implementation of the peace agreement. Their common objectives were peace in Aceh and stability in South-East Asia. The modes of engagement incorporated the relevant actors within the EU, ASEAN countries, the CMI, GoI and FAM. There was a co-operative linkage between the modes of engagement and relevant actors. The modes of engagement brought the relevant actors within the EU and ASEAN closer together when they interacted to develop a joint monitoring mission in Aceh and to implement the tasks of that mission.

Fourthly, the level of ASEAN's political and security integration was less robust because, at that time, ASEAN was preparing still its political and security integration through the APSC. ASEAN had only the ARF as a forum in which to discuss and exchange ideas about political and security issues with its external partners in the region. The EU considered the above situation was a challenge which, together with ASEAN, needed to be resolved. It persuaded the more advanced ASEAN countries to establish the AMM. The EU needed the involvement of

ASEAN in the AMM because ASEAN could provide strong legitimacy and strengthen the role of this monitoring mission and contribute to the development of the ASEAN Security Community. ASEAN wanted not only to demonstrate its solidarity with Indonesia but, also, to gain experience in peace monitoring and peace building from the AMM in order to develop its own political and security regional integration and to strengthen its politico-security relationship with the EU.

Fifthly, both GoI's and FAM's willingness and readiness to negotiate and implement a peace solution in Aceh and the unavailability of the UN in that process were external opportunities on the development of the EU's policy on Aceh. It allowed the EU to take advantage of these opportunities and to become an international monitor in Aceh. At the same time, there were external concerns, on the part of GoI, such as the international interference in Indonesia's domestic affairs and the internationalization of the Acehese issue. The EU took GoI's concerns into account carefully when it developed its policy and relationship with ASEAN, GoI and FAM. These external opportunities and these external concerns had a significant impact on the development of EU policy on the joint monitoring mission with ASEAN. They were considered seriously by the EU policy makers when they developed this policy because the EU was putting at risk its own credibility regarding the success of the AMM and its relationship with Indonesia and South-East Asia. In short, the AMM was the result of a co-operative connection between both conflicting parties' willingness and readiness to resolve their conflict; the absence of the UN's involvement; and the interest of the EU member states and the EU itself to implement the CFSP/ESDP in South-East Asia.

At this point it is sufficient to note that, based on the earlier analyses and empirical evidence, the development of this EU policy was influenced by internal and external factors. This case demonstrated that the EU and ASEAN showed their ability to work well together on political and security matters. It meant that the EU-ASEAN politico-security relationship developed further after the AMM completed its tasks successfully. It allowed the EU to establish the necessary profile in South-East Asia. This situation gave ASEAN, also, an opportunity to further its political and security integration. As yet, I have not explained the development of the EU's policy with regard to the creation of an ASEAN-EU FTA. That comes next.

## **CHAPTER 6**

### **CASE STUDY OF THE ATTEMPT TO ESTABLISH AN ASEAN-EU FTA**

#### **6.1. Introduction**

According to Peter Mandelson (2006a:2), the EU and ASEAN economic relationship needs to be improved in the 21<sup>st</sup> century in order to provide both parties with mutual benefits such as trade in goods and services and investment. Consequently, the EU and ASEAN should reframe their economic cooperation which needs to be a comprehensive economic partnership between both parties. Their partnership can bring significant changes leading to mutual advantages for their industries and investors.

This chapter addresses the development of the EU's policy for the creation of an ASEAN–EU FTA. It aims to show that relevant factors influenced the development of this EU policy. This case study is different from other case studies because the EU failed to conclude free trade negotiations with ASEAN. This chapter is organized in four parts. The next part assesses the process of the EU's policy development for an ASEAN–EU FTA. The third part provides the explanation of relevant factors affecting the development of the EU's policy on FTA and free trade negotiations between the EU and ASEAN. The final part is the conclusion.

#### **6.2. The Process of the Development of the EU's Policy for an ASEAN–EU FTA**

In 2006, the European Commission (2006a:2-3) released its trade strategy, known as “Global Europe: Competing in the World”. In order to achieve mutual advantage in this globalization period, the EU was empowering the era of openness in the EU market and amongst its external partners. Indeed, the EU has employed the free trade system for both general and specific purposes. In general, when trading in goods and services, the EU pursues its key partners to liberalize their markets (Ibid, p.9) and treats them equally. Specifically, the EU renews its market access strategy to other countries by eliminating gradually trade barriers and by reforming its anti-dumping and other trade defence instruments (Ibid, p.10-12). An inter-regional

approach was a means for the EU to realize these purposes by opening up the possibility of an ASEAN–EU FTA.

Commission official A emphasized that ASEAN was chosen as a priority for the FTA because of its economic criteria; the development in the region, and the importance of this region in Asia. ASEAN had agreed trade co-operations with China, Japan, Australia, New Zealand and India.<sup>99</sup> Commission official E added that: “ASEAN is one of these trading partners for the EU. It has a lot of activity to develop and there are many of barriers for the EU exporters and operators in this region. It is an advantage, if the EU can negotiate and deal with ASEAN”.<sup>100</sup> The EU would like to develop a freer flow of goods, investments and services with ASEAN.

The Commission facilitated and coordinated the development of the EU’s trade policy towards ASEAN. It worked closely with the Council and other institutions within the EU to form the draft of the mandate to begin negotiations on an ASEAN-EU FTA. In the next section, I explain the internal interaction between EU institutions and EU member states which led to the creation of this mandate. However, at this stage, I outline its contents.

In April 2007, the Council authorized unanimously its mandate to the Commission to negotiate five FTAs including an ASEAN-EU FTA (Council of the EU, 2007c:1-2), in the following terms:

1. The EU paid its full attention to the DDA because it was still the EU’s top priority. It considered other trade approaches such as a FTA with third countries/regions.
2. The Community had a common position: to support and develop a FTA with ASEAN by expanding market and economic resources, fully consistent with and in compliance with WTO rules.
3. The Council supported the Commission in its commencement of free trade talks with ASEAN in order to build a deeper trade relationship with a progressive and reciprocal liberalization of trade in goods, services and other trade-related issues.

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<sup>99</sup> Interview with Commission official A, 2010.

<sup>100</sup> Interview with official E, the Commission, by telephone, 18 August 2010.

4. The Council encouraged the Commission to analyze and elaborate on ASEAN's political and economic facts by promoting trade relationships between both parties.
5. The Council showed its interest in having a good political relationship with ASEAN via the negotiations of the Partnership and Cooperation Agreement (PCA) or the renewal of the EU political clauses within the current framework of agreements with ASEAN countries (Council of the EU, 2007d:3-4).

The negotiation of an ASEAN-EU FTA began on 4 May 2007 in Banda Seri Begawan, Brunei Darussalam. The EU and ASEAN created the EU and ASEAN FTA Joint Committee as a means by which to begin dialogue (European Commission, 2007a:1-2). The EU wanted the two regions to conclude the negotiations between them within two years of their first meeting. The Commission employed an inter-regional approach to negotiate a FTA with ASEAN. If a deadlock in FTA discussions occurred in the inter-regional approach, the EU might use a region-to-country approach (Bilaterals, 2007:3). The FTA would cover, as majority elements, the economic provisions between both regions and the sustainable development issue would be included as an additional element. Meanwhile, the Commission adopted a bilateral approach in its negotiations with ASEAN countries in the context of PCA<sup>101</sup> negotiations. The non-economic provisions (human rights and democracy elements) were covered by a future PCA with each ASEAN country which was willing to have it (Council of the EU, 2007c:2).

The EU and ASEAN FTA Joint Committee held several trade negotiations from 2007 to 2009. However, in March 2009, they agreed to end their negotiations because they had not reached a compromise on several issues such as the complexity of the problem with regard to Myanmar; the different levels of ambition in a future FTA between the two regions; and, within the framework of free trade negotiations, the different treatments of the lesser developed ASEAN countries (Lao PDR, Cambodia and Myanmar).

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<sup>101</sup> The EU offered to Thailand, Indonesia, Singapore, the Philippines, Malaysia and Brunei Darussalam and Vietnam a PCA which related to a FTA. On 9 November 2009, the EU and Indonesia signed the first PCA between the EU and an individual ASEAN country (Council of the EU, 2009c:1). Then, the EU signed the PCAs with Vietnam (on 27 June 2012) and the Philippines (on 11 July 2012).

Consequently, the EU began to employ a different approach by implementing, in March 2010, the EU+x formula. This formula entails pursuing a relationship with one or two ASEAN countries in order to develop a FTA on the basis of a region-to-country approach (Council of the EU, 2006c:4). The EU hopes that this formula will become an effective approach in order to include all ASEAN countries into a region-to-region FTA between both parties.

The Commission and Singapore started their FTA negotiations on 3 March 2010 in Singapore (Falletti, 2010:15). On 5 October 2010, in Brussels, the European Commission (2010b:1) and Malaysia began negotiations for an EU and Malaysia FTA and the EU and Malaysia PCA. The EU Trade Commissioner, Karel De Gucht (2011:1) emphasized that: “We are negotiating FTAs with Singapore and Malaysia and our door is open to other ASEAN partners [...]. But we are careful to keep one eye on the bigger game, a region-to-region trade deal”. On 27 June 2012, the European Commission (2012a:1) and Vietnam started negotiations for an EU-Vietnam FTA. Additionally, the 1<sup>st</sup> and the 2<sup>nd</sup> ASEAN-EU Business Summits were held in Indonesia (5 May 2011) and in Cambodia (2 April 2012). De Gucht (2011:1) explained that the Summit aimed to achieve win-win business cooperation for ASEAN and the EU.

This section has illustrated the existence of the EU’s policy of creating a FTA with ASEAN. As trade negotiations with ASEAN ended, the EU changed its strategy of negotiating a FTA with several ASEAN countries, hoping to incorporate them into a region-to region FTA between both regions. One clear thing is that there is still no ASEAN–EU FTA based on a region-to-region approach and/or a region-to-country approach concluded by the two regions. Next, I elaborate on the factors by elucidating on the attempt to create an ASEAN-EU FTA.

### **6.3. Analysis of the Establishment of an ASEAN–EU FTA**

#### **6.3.1. The Relevant Actors in the EU’s Policy Development on the Establishment of an ASEAN–EU FTA**

The Commission and the Council of Ministers were the relevant actors in the EU’s trade policy of creating an ASEAN–EU FTA. Commission official E argued that: “The Commission has authority for trade policy. The Commission came up with



a Global Europe Communication to the Council in order to explore negotiations with ASEAN. All member states agreed to it”.

Commission official F admitted the Commission was a key actor in the development of this EU trade policy. This person argued that:

The EU had Korea, ASEAN and India, all being identified as of critical competitiveness with regard to FTAs. [...] And we were the ones who were identifying particularly what was going on in the world and areas which were the concern of other major trading partners who would get more substantial access to certain markets than we would have [...]. In terms of commercial policy, the Commission is a key actor and the one who is driving forward.<sup>102</sup>

An official from the Netherlands added that: “The Commission is quite eager to negotiate this kind of agreement. It gives them a certain amount of power”.<sup>103</sup>

Council official A recognized the importance of the Commission in the EU’s trade policy-making process. This person advocated that the Council (the EU member states) were significant actors in the development of this EU policy. This person argued that: “A FTA in principle is driven always by the Commission. The significant actors [in the Council] are actually, in practice, big member states. The EU member states who have most trade with ASEAN are those who are most concerned about who would have experienced most impact or benefit from a FTA”.<sup>104</sup>

With regard to the Council, the EU member states, which had economic and trade links and interests in ASEAN, were significant players in convincing all the EU member states to have an ASEAN-EU FTA. Commission official E stated that:

These countries were the main exporters and investors. Clearly, Germany, UK, France, Italy and Spain, those countries who were afraid of being crowded out by competition from other countries in the region: China, Japan, South Korea, Australia and so forth [...] The Netherlands is also important and a major operator in the region. All member states were on hold.<sup>105</sup>

The EU member states’ view was that ASEAN countries had high economic growth and were a source of potential buyers/sellers who were important for the

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<sup>102</sup> Interview with official F, the Commission, Brussels, 28 March 2011.

<sup>103</sup> Interview with national official, the Netherlands, 2011.

<sup>104</sup> Interview with Council official A, 2011.

<sup>105</sup> Interview with Commission official E, 2010.

EU's industry and services. The UK, the Netherlands, Germany and France continued to have strong economic interests linking them to ASEAN. They approached and convinced other EU member states, in the Council, to develop an economic partnership between the EU and ASEAN.<sup>106</sup>

An official from the Netherlands and Commission official A acknowledged that relevant actors in the formulation of an ASEAN-EU FTA were the Commission and the Council. An official from the Netherlands argued that:

The Commission has the right to exercise its initiative. The Commission is the one who makes the proposal. [...] It was the Commission which was the central driving force in this. I also know that within the Council those who are the ultimate decision makers in this matter would be the Northern countries, including the Netherlands and that they would be in favour of having an FTA. But in general, trade is an exclusive competence as well for the European Commission.<sup>107</sup>

Commission official A stated that: "In the trade area, the actors are both the Commission was leading because we have competence in trade matters. But behind the Commission there were always member states interests and positions".<sup>108</sup>

The Council assigned the Article 133 Committee as a special committee to help the Commission in the development of the EU trade policy with ASEAN. It would adopt and conclude trade agreement (EUR-Lex, 2010:1) between the EU and ASEAN based on the outcome of negotiations between the Commission and ASEAN.

Apart from the relevant actors, there were related actors, who were involved in shaping this EU policy development, such as the European Parliament; the business communities; and NGOs. The European Parliament's role was insignificant because it was not involved fully in the development of this EU policy. The European Parliament was informed by the Council and the Commission after the negotiating mandate had been formulated and implemented. Helmut Markov, a Member of the European Parliament and Chairman of the European Parliament Committee on International Trade, raised his concern to the Commission that the Parliament needed to be included in the debate on the creation of an ASEAN-EU FTA (TNI, 2009). Roberto Bendini, a Principal Administrator for International Trade at the European

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<sup>106</sup> Interview with Council official A, 2011.

<sup>107</sup> Interview with national official, the Netherlands, 2011.

<sup>108</sup> Interview with Commission official A, 2010.

Parliament, stated that the European Parliament's role was only to be informed by the Commission about the development of this EU trade policy without any authority to change it.<sup>109</sup>

The Commission involved the business communities and NGOs in the process of consultation when it introduced the Global Europe trade strategy to create FTAs with other trading partners. Pascal Kerneis from Business Europe (formerly UNICE) argued that the business communities agreed to the establishment of FTAs between the EU and its key trading partners, such as ASEAN. He explained the way that the business communities engaged more with the Commission in order to shape the outcome of the EU's trade policy toward ASEAN and other EU's external partners. Kerneis stated that:

In the first consultation at the invitation of European Commission, we had responded to the Global Europe Communication earlier in the year of 2006. We were saying, yes go out of this moratorium on WTO only, yes open up FTA with any partners who are ready to do so. So the Commission suggested that and that. And we said yes go ahead. Then, we gave our position as business communities at that time.<sup>110</sup>

Afterwards, the business communities were involved in the seminars held by the EU and ASEAN to explain the provisions of a FTA, EU trade policy and any trade barriers to ASEAN countries. Through the above seminars, the business communities attempted to promote their position on an ASEAN-EU FTA. Kerneis explained that, after they stated their position, they were following the negotiations. [...] Also, he had also been part of these different seminars pushing their views.<sup>111</sup>

However, Marc Maes, a member of the coalition of NGOs' Seattle to Brussels Network, explained their obstacle in obtaining access to follow the latest progress on free trade initiatives in the Commission. They adhered to open consultation in the European Parliament in order to follow developments in these economic initiatives. He argued that:

The Commission came up with this strategy and of course we were trying as much as we could follow the European policy. It was very difficult for civil society organizations to follow and look into what was going on inside the Commission. So we usually see proposals when they have come

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<sup>109</sup> Interview with Roberto Bendini, the European Parliament, Brussels, 28 March 2011.

<sup>110</sup> Interview with Pascal Kerneis, Business Europe, Brussels, 23 March 2011.

<sup>111</sup> Ibid.

up from the Commission and go into consultations and discussions with the Council and Parliament when they come out to be opened.<sup>112</sup>

Maes elaborated further that NGOs faced two main difficulties with regard to their involvement in the development of the EU's trade policy toward ASEAN. The first difficulty was following, within the EU's institutions, the process of the development of the EU's policy because it was considered at closed meetings between policy makers within the Commission and the Council. The second difficulty was the secretiveness of the draft of a negotiating mandate from the Council to the Commission. NGOs had little possibility to influence on the development of this EU policy. He argued that:

We had given our comments to the Global Europe Strategy. We have denounced the aggressiveness and ambition in the strategy. There was very little account of the differential treatments that countries needed. We made comments there and then through the National Parliament, the European Parliament and governments, to try to influence the adoption of strategy by the Council and then the Parliament.<sup>113</sup>

Maes explained that:

Trade policy is the hardcore of European economic interest and there is not really much that the civil society can do about that [...]. The Global Europe was adopted, the Commission started working out concrete mandates for negotiation with countries. That process is even more closed; it is between the Commission and the Council only. The internal meetings on the proposal were completely secretive. The mandate that the Council had given to the Commission for this negotiation, it was a confidential or otherwise, it was a secret document that no one to see. There was also little possibility for influence there.<sup>114</sup>

Kris Vanslambrouck, Asia Desk Administrator, 11.11.11<sup>115</sup>, added that: "They [the Commission] provided information about the progress of some negotiations. It was more a type of briefing, this is in the pipeline and this was being discussed, sometime you get very rough information. It was not detail".<sup>116</sup>

Based on the above explanations, there was, in practice, a need to outline the institutional arrangement for this EU policy in order to examine how these relevant

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<sup>112</sup> Interview with Marc Maes, Seattle to Brussels Network and 11.11.11, Brussels, 23 March 2011.

<sup>113</sup> Ibid.

<sup>114</sup> Ibid.

<sup>115</sup> It is a NGO which focussed on trade and development issues in South-East Asia and Africa.

<sup>116</sup> Interview with Kris Vanslambrouck, 11.11.11, Brussels, 23 March 2011.

and related actors fitted and interacted within that arrangement. To start with, on 27 April 2005, the ASEAN Economic Ministers and the EU Trade Commissioner agreed to create the Vision Group on ASEAN–EU Economic Partnership. They consulted on the aspects of economic and development obstacles for their future commercial ties in the ASEAN-EU Vision Group (2006:8-10).

Furthermore, there were significant obstacles for the EU and ASEAN trade relationship such as, firstly, the high-tariffs and tariff escalation applied by these two regions for sensitive sectors such as agriculture; manufacture; industrial sectors; and automotive products and its spare-parts (European Commission, 2006a:8). Secondly, the non-tariff barrier issues created trade distortions between the EU and ASEAN. On the one hand, the EU employed rigid health and safety requirements and complex environmental and industrial regulations for ASEAN countries. On the other hand, ASEAN applied different custom regulations and complex import authorizations for EU exporters to every ASEAN country (University Limerick and IFRI, 2006:v). Thirdly, the EU protected its agricultural and farming sectors with a huge amount of subsidy through the CAP (31.6 % of total EU budget in 2008) (European Commission, 2008a:1). It provided their farmers with technological training; production management; financial assistance; and good prices for their agricultural products (European Commission, 2004:6). This situation led to discriminatory actions in the market economy operating between the EU producers and external producers from ASEAN countries. Commission official G argued that: “We seek for an agreement and to getting away these barriers. In that respect, the bloc to bloc trade is considerable and is important”.<sup>117</sup>

On 29 July 2005, the European Commission (2005:1) informed the Article 133 Committee that the Commission and ASEAN had established a vision group in order to assess the possibility of an ASEAN–EU FTA. On 24 February 2006, the European Commission (2006c:1) reported to the Committee that the Vision Group had conducted two quantitative and qualitative feasibility studies to assess the economic advantages and impacts of an ASEAN-EU FTA. Commission official E stated that: “We do a feasibility study. We started with ASEAN countries between 2005 and 2006. It was called a vision group which consisted of 11 high ranking officials, one

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<sup>117</sup> Interview with official G, the Commission, Jakarta, 17 July 2009.

from each ASEAN country and one from the Commission. They were in charge to look into the possibility and benefits of the EU and ASEAN FTA”.<sup>118</sup>

The EU member states were concerned about the following two main issues regarding future economic cooperation with ASEAN. These were: firstly, there could be a potential conflict between their economic interests and common EU values. Several key EU member states indicated that their business communities and industries would like to ensure that an ASEAN-EU FTA reflected their economic interests. Secondly, the EU trade policy options were multilateral and regional routes (European Commission, 2006c:1).

On 28 April 2006, there was a full meeting of Committee 133 members. The UK suggested that the Commission should not lose its priority to the Doha round negotiations (European Commission, 2006d:1). Sweden and Denmark advised that the Commission could go ahead with an ASEAN-EU FTA so long as it was in line with the Doha round negotiations. In the end, the Committee agreed to focus not only on the Doha round negotiations but, also, to start possible negotiations for a FTA with ASEAN (Ibid).

On 9 June 2006, the Commission presented the Vision Group report to the Committee 133 members. Sweden welcomed the report which demonstrated the positive signals from the report's possible outcomes and ASEAN's responses. Sweden argued that there was a strong economic case for an ASEAN-EU FTA and this needed further discussion. The UK and the Netherlands reminded the Commission to maintain its focus on the Doha round negotiations. The Netherlands advised the Commission to be careful on how to convey its position to the public. It suggested that the EU's focus was not only on the Doha round negotiations but, also, on the attempt to create a FTA with ASEAN. Germany reminded the Commission that all EU efforts, regarding FTAs, would be observed closely by European industry. In order to reach a quick outcome for an ASEAN-EU FTA, Hungary advised the Commission to learn from the slow negotiations on the EU-Mercosur partnership and to open the possibility of having bilateral negotiations with ASEAN countries. In responding to all these questions, the Commission argued that DDA was a priority for the EU with the open possibility of creating a FTA with ASEAN.

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<sup>118</sup> Interview with Commission official E, 2010.

On further discussions about an ASEAN-EU FTA, the Commission explained that it would inform the Council about any developments on this issue and maintain communication with ASEAN. On the regional and bilateral approaches, the Commission argued that the EU needed to be innovative by combining the two approaches in order to find a pragmatic way which best served its economic interests and to take into consideration the political sensitivities in the EU and ASEAN relationship (European Commission, 2006f:1-2).

A few months later, the Commission re-emphasized the EU's need to create an economic cooperation with its external partners (Bilaterals, 2007:1-2). On 13 November 2006, the Council showed its support for the Commission to launch FTA negotiations with ASEAN, India and South Korea. The Council requested that the Commission submit proposals for the negotiating mandate so that it could discuss them (Ibid). The Commission formed its draft for a FTA based on the Vision Group's report and its Global Europe communication strategy. On 8 December 2006, the Commission submitted its recommendation to the Council seeking its authority for the Commission to negotiate a FTA with ASEAN (Council of the EU, 2006c:1).

Meanwhile, civil society organizations and business groups were involved in the consultation meeting with the Commission on 12 December 2006. These non-state actors were Tradewatch; UNICE (Union of Industrial and Employer's Confederations of Europe); South Centre; International Centre for Trade and Sustainable Development (ICTSD); and Eurocommerce.

The civil society organizations and business groups had different views on the ASEAN-EU FTA. Tradewatch proposed that the Commission avoid a WTO plus arrangement<sup>119</sup> and a liberalized market approach towards ASEAN. The ASEAN-EU FTA might devastate the economies of developing countries in South-East Asia because of their relatively low competence capacity and different level of economic capacity as compared to the EU. Tradewatch suggested that, in its economic cooperation with ASEAN, the EU had to consider environmental aspects and sustainable development. The South Centre added that the EU's aggressive approach would make developing countries face difficulties in their development. In their

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<sup>119</sup> It covers trade in goods and services, IPR, government procurements, cooperation on trade-related issues, sustainable development concerning labour and environmental issues, sanitary and phyto-sanitary issues, investment and dispute settlement mechanism (Crawford and Fiorentino, 2005:5).

economic cooperation with ASEAN, the EU could adopt a collaborative approach in trade and development rather than an aggressive approach. ICTSD reminded the Commission that trade liberalization in developing countries would not be effective without trade concessions and economic compensations (European Commission, 2006b:1-2).

In contrast, the business communities, represented by UNICE and Eurocommerce, had a strong economic interest in an ASEAN-EU FTA (European Commission, 2006b:1-2). UNICE argued that a FTA between the EU and ASEAN should include every dimension in trade and investment (Ibid). In its strategy on the EU approach to FTA, UNICE (2006:1-4) emphasized that the EU's new generation of FTAs with third countries/regions should be based on economic criteria; the principle of reciprocity with new partners; broad coverage in goods, services and investment; the elimination of non-tariff barriers; and the inclusion of WTO plus issues. Additionally, Eurocommerce (2007:2-3) emphasized its support for the elimination of tariff and non-tariff barriers in ASEAN, stressed its encouragement to assess the sustainable impact of a FTA; and its commitment to corporate social responsibility. Overall, the Commission considered their different comments and included them in its communication paper to the Council and which were noted in its discussion with the Council.

On 19 December 2006, the Commission presented to and discussed with the Article 133 Committee a policy initiative on an ASEAN–EU FTA (European Commission, 2006e:1). The UK, France and Denmark raised the question of the potential impact, such as in the area of sustainable development, of a FTA on the least developed countries in South-East Asia. Italy raised the question of the legal basis for a negotiating mandate regarding a FTA with ASEAN since it went beyond trade issues (eg. sustainable development). Italy reminded the Commission to confine a mandate to economic issues and to clarify the EU's objectives. The UK and Sweden raised the question of how the Commission would coordinate a regional approach for a FTA and a bilateral approach for a PCA with each ASEAN country. Belgium, Spain, Slovenia and Hungary were more concerned about whether or not the EU and ASEAN free trade negotiations could be concluded within two years. In responding to all these questions, the Commission agreed to the question of



sustainable development in the draft of the negotiating mandate. On the question of a legal basis, the Commission was aware that the draft of the negotiating mandate would be a collective agreement (Ibid, p.1-4). It would work with the Council on that issue. On the question of a regional and bilateral approach, the Commission would discuss the matter with ASEAN. With regard to the time frame of the negotiations, the Commission explained that, based on the Council's approval, the ASEAN and EU free trade negotiations would be started in early March 2007 (Ibid, p.3).

The Article 133 Committee and the Asia Oceania Working Party of the Council of the EU examined the drafts of negotiating mandate in order to achieve a common position on this issue before they submitted it to COREPER (Council of the EU, 2007d:1) On 3 and 18 April 2007, COREPER discussed the trade aspects of these drafts of a FTA. COREPER examined drafts of the negotiating mandate and recommended that the Council approved it (Ibid). On 19 April 2007, COREPER proposed the final draft to the Council and the representatives of the EU member states in order to adopt the conclusion concerning the negotiating mandates for FTAs with countries of ASEAN, India and South Korea (Council of the EU, 2007e:1). The Council shaped and decided the final conclusion of the negotiating mandate of the FTA with ASEAN. In order to achieve a common trade policy, the EU member states tried to reach a consensus without employing a formal vote (Meunier and Nicolaïdis, 2010:285). The Council gave the Commission a negotiating mandate. The Commission conducted negotiations with ASEAN based on the negotiating mandate. When the Commission and ASEAN achieved a FTA, the Council, by a qualified majority decision, might adopt or cancel a trade agreement (EUR-Lex, 2001:C80/16).

On 23 April 2007, the Council released its negotiating mandate to the Commission in order to establish an ASEAN–EU FTA (Council of the EU, 2007c:1). The European Commission (2007b:1) informed the Council on developments in its free trade negotiations with ASEAN through the Article 133 Committee. The Council kept an eye on free trade negotiations between the Commission and ASEAN. Council official A argued that: “The Council of the EU agreed to let Commission try to negotiate a FTA [...]. The Council would follow as it were at a

distance the progress or lack of progress in the negotiations between the Commission and ASEAN”.<sup>120</sup>

According to this person, the member states would inform the Commission that, “They want you to focus on a particular point but on the another point, you give a lee way for negotiations. But in the end, it is the Commission that is in charge”.<sup>121</sup> The Commission communicated informally with the Council and several interested member states before the negotiations were concluded. Council official A stated that: “In last phase of negotiations, the Council is kept on board informally and especially those few member states who have real concerns on this and that point. And the Commission keeps them briefed informally on what happens by small off the record meetings”.<sup>122</sup>

The institutional arrangement in (and the legal basis for) the EU’s trade policy provided a flexible mechanism for the Commission to combine, with the Council’s consent, economic and sustainable development issues in the EU’s negotiating mandate. This situation went beyond the Community’s internal power, as mentioned in Article 300 of the TEC (EUR-Lex, 2001:C80/16). In order to avoid violation of the TEC, the Council would frame the legal relationship between trade provisions and the PCA (non-economic provisions) for relevant countries before the conclusion of trade negotiations between the EU and ASEAN (Bilaterals, 2007:4).

The institutional arrangement in the EU’s trade policy provided, also, a framework which assisted the political and economic debates between the Commission and the Council regarding political economy (trade regulations and social concerns) and the selection of the approach which the EU took to deal with ASEAN. It was different from institutional arrangements for a new partnership with South-East Asia and the EU policy on Aceh because it allowed the Commission, with the consent of EU member states, to coordinate and lead the policy formulation. Meanwhile, the institutional arrangement for a new partnership with South-East Asia demonstrated a shared competence between the Commission and the Council. The institutional arrangement for the EU policy on Aceh illustrated that the Council led

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<sup>120</sup> Interview with Council official A, 2011.

<sup>121</sup> Ibid.

<sup>122</sup> Ibid.

and coordinated policy development with complementary support from the Commission.

Based on the above explanation, the Commission and the Council were relevant actors who influenced significantly the development of the policy on the establishment of an ASEAN–EU FTA. The Commission had an initial right to propose and coordinate the institutional arrangement of this EU policy. The Council gave a negotiating mandate to the Commission. With regard to the Council, key member states such as the UK, Germany, the Netherlands and France, which had an economic relationship with ASEAN, were involved actively in the development of this EU policy. They shaped the outcome of the Council’s negotiating mandate.

The business communities presented their position to the Commission concerning the Global Europe communication strategy. The business communities were a supporter of an ASEAN-EU FTA. It provided advice on trade strategy; targeted countries/regions; and proposed trade measures to the Commission (UNICE, 2006:1-9). The Commission took on board the business communities’ advice when it prepared for further discussions with the Council about a draft of the EU’s trade policy towards ASEAN. Meanwhile, the business communities participated in various seminars organized by the EU and ASEAN and conveyed their positions on a future FTA, EU trade policy and on non-trade barriers to ASEAN countries.

However, compared to the Commission and the Council, the roles of the European Parliament and NGOs were less significant in the development of the EU’s trade policy towards ASEAN. They were not involved deeply in the establishment of an ASEAN-EU FTA. The Commission and the Council informed the European Parliament only about the conclusion of the negotiating mandate and the final outcome of the trade negotiation with ASEAN. The NGOs were involved only in the consultation of the intention of the Commission to create a FTA with ASEAN. They faced difficulties in following the latest progress in the development of this EU policy. To some extent, they disagreed with the EU’s aggressive approach on economic cooperation which was based on a WTO-plus arrangement. They agreed to approach ASEAN with a collaborative economic cooperation which would provide an opportunity for developments in ASEAN countries. The divergent views on an ASEAN-EU FTA between relevant actors (the Council and the Commission) with

support from the business communities and other related actors (European parliament and NGOs) eroded the EU's position of acting as a unitary group. Overall, these actors (particularly the Commission and the Council) shaped, determined and decided upon the policy outcome.

### **6.3.2. The Promotion of Interests or Values in the EU's Policy Development on the Establishment of an ASEAN–EU FTA**

I argue that the establishment of an ASEAN–EU FTA was intended to promote the economic interests of the EU member states and the Commission in their dealings with ASEAN. At the same time, the Commission, to some extent, shared common EU values with ASEAN in order to create an ASEAN–EU FTA. The economic interests of the EU member states and the Commission were more important than common EU values.

Mandelson (2006b:3) argued that: “The European Commission has proposed a new generation of FTA to major growing markets, such as ASEAN, India and South Korea. This policy has attracted strong support from European business and industry because Europe's companies know that their competitiveness depends on access to these rapidly expanding markets”. He added that: “Members of ASEAN see bilateral trade negotiations with the EU first as a means of increasing their access to our markets, creating opportunities for growth and development in their countries” (Ibid, p.5).

The EU and its member states wanted to extend greater market access to the dynamic ASEAN market. The EU's investors sought a stable and growing region in which to invest their capital. These interests were expressed, also, by European business at the consultation meeting with the Commission and in other seminars on a future FTA and EU trade policy to ASEAN countries. Council official A explained that the EU member states emphasized their interests to the Commission in their discussion with the Article 133 Committee on the draft of a negotiating mandate.<sup>123</sup> According to Commission official A, the reason was that: “At the end the one that is making trade with any country are companies that belong to one or more member

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<sup>123</sup> Ibid.

states”<sup>124</sup> The Commission believed that an ASEAN–EU FTA might boost the EU economic fortunes. Therefore, it consolidated economic interests of the EU member states and European business into the draft of a negotiating mandate for a FTA with ASEAN.

The Council affirmed the EU’s economic interests by launching free trade negotiations with ASEAN. It mentioned this issue in its Guidelines on the EU’s Foreign and Security Policy in East Asia. The UK initiated the idea of the guidelines during its presidency of the EU at the end of 2005. The Council adopted the guidelines on 20 December 2007. The basic foundation of the guidelines was that the EU had crucial interests in dynamic change in the East Asia region (including in ASEAN). There were prospects and risks for the EU in the context of political, security and economic affairs in the region (Council of the EU, 2007f:2-4). The EU hoped that an ASEAN-EU FTA might increase its trade activities and minimize its trade deficit against ASEAN countries (Camroux, 2009:67) and the rest of Asia. Council official A confirmed that:

Our policy was indeed driven by the interests of the EU which, in principle, look sometimes like free trade block actor on a world scale, as you know, which means abolishing as many thresholds for goods and services as possible in principle it should be like that. There at least the Commission drove the policy and of course member states have industry and agriculture which is where protectionism comes in.<sup>125</sup>

The trade pattern between the EU and ASEAN improved significantly from € 117,242 million in 2000; € 128,282 million in 2006; and € 135,285 million in 2008 (trade amounts in Tables 6.1 and 6.2). However, the EU received still trade deficits against ASEAN of around € 30 billion between these years. ASEAN is one of the EU’s main trade partners. ASEAN is in the 6<sup>th</sup> position as an EU trade partner with a total trade percentage around 4.6 % in 2008 (see Table 6.2). The EU is the second main trading partner of ASEAN with a total trade percentage of around 11.8 % in 2008 (see Table 6.3). The EU sees many economic benefits and opportunities as outcomes of its relationship with ASEAN. The EU has exported industrial and high-technology products to ASEAN, such as aircrafts; engines; medicine; railway equipment; computers; industrial machines; ships; electronic spare-parts; and

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<sup>124</sup> Interview with Commission official A, 2010.

<sup>125</sup> Interview with Council official A, 2011.

circuits. The main products, which the EU imported from ASEAN, were raw materials and manufactured articles such as wood; paper; rubber; leather; crude materials; energy; furniture; and textiles (Eurostat, 2007a:1 and see Table 6.1)

**Table 6.1**  
**Main Merchandises Trade between the EU and ASEAN, 2000 & 2006**  
(Euro million)

	Exports		Imports		Balance	
	2000	2006	2000	2006	2000	2006
Total	41,856	49,395	75,386	78,887	-33,530	-29,491
Primary products:	3,119	4,279	8,443	13,031	-5,324	-8,752
<i>Food &amp; drink</i>	2,184	2,209	3,829	4,643	-1,645	-2,433
<i>Crude materials</i>	680	969	4,189	6,354	-3,509	-5,385
<i>Energy</i>	255	1,100	425	2,034	-170	-934
<b>Manufactured goods:</b>	<b>37,100</b>	<b>43,605</b>	<b>60,752</b>	<b>65,444</b>	<b>-23,652</b>	<b>-21,839</b>
<i>Chemicals</i>	5,031	6,600	2,550	7,266	2,481	-665
<i>Machinery &amp; vehicles</i>	24,288	27,155	38,057	36,900	-13,770	-9,745
<i>Other manufactured articles</i>	7,781	9,851	20,144	21,279	-12,363	-11,428
<b>Other</b>	<b>1,637</b>	<b>1,511</b>	<b>6,191</b>	<b>412</b>	<b>-4,554</b>	<b>1,099</b>

Source: Eurostat (2007a:1).

**Table 6.2**  
**EU Main Trade Partners, 2008**

(Euro million)

No	Country	Export	Import	Amount	Percentage
1	USA	249,600	186,559	436,159	15.2
2	China	78,474	247,655	326,129	11.4
3	Russia	105,132	174,937	280,069	9.8
4	Switzerland	97,991	80,091	178,082	6.2
5	Norway	43,711	95,559	139,270	4.9
6	ASEAN	55,641	79,644	135,285	4.6
7	Japan	42,410	75,156	117,566	4.1
8	Turkey	54,256	45,888	100,144	3.5
9	South Korea	25,660	39,410	65,070	2.3
10	Brazil	26,354	35,824	62,178	2.2

Source: DG Trade MP/CG (European Commission, 2009a:1).

**Table 6.3**  
**ASEAN Main Trade Partners, 2008**

(USD million)

No	Country	Export	Import	Amount	Percentage <sup>a</sup>
1	Japan	107,053	104,861	211,915	12.4
2	EU-25	89,471	112,886	202,358	11.8
3	China	107,114	85,557	192,672	11.3
4	USA	79,910	101,128	181,039	10.6
5	South Korea	40,541	34,938	75,480	4.4
6	Australia	17,907	33,681	51,589	3.0
7	India	17,379	30,085	47,465	2.8
8	Hong Kong	8,942	16,769	25,711	1.5
9	Taiwan	13,997	9,837	23,834	1.4

Source: ASEAN Merchandise Trade Statistics Database (ASEAN Secretariat, 2009b:1).

The UK, Germany, the Netherlands and France were the EU member states concerned with an ASEAN-EU FTA. With regard to economic interests, there were two examples which indicated that these EU member states were interested in ASEAN. These were: firstly, the EU member states were the main exporters to and importers from South-East Asia since 2000. In 2006, Germany, France and the UK were still the main exporters from the EU to ASEAN with respective total amounts of € 14,485 million, € 6,755 million and € 6,525 million (see Table 4.1). In the same year, the Netherlands, the UK, Germany and France were still the main EU importers from ASEAN with respective total amounts of € 16,156 million, € 15,292 million, € 14,833 million and € 7,003 million (Ibid).

Secondly, from 2001 to 2010, the EU was the biggest foreign investor in ASEAN and the total amount of the EU's investment was USD 106,249 million (see Table 6.4). Many EU investors were attracted by the current situation in South-East Asia. ASEAN countries reformed their domestic regulations to be a friendly investment area for foreign investors. ASEAN accelerated its regional integration project in order to create a single market. The South-East Asia region attracted foreign investors because of its huge markets; cheap labour; and political stability. They were interested in investing their funds in various economic sectors such as manufacture; infrastructure; oil and refineries; banks; tourism; foods; medicines; and textiles. From 2005 to 2007, the UK, the Netherlands, Germany, France were included in the top ten of the foreign investors in the region (see Table 4.2).

**Table 6.4**  
**FDI Inflows to ASEAN by Main Partners, 2001-2010**

(USD million)

No	Country/ Region	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2001- 2010
1	EU	6,946	3,743	6,679	11,270	10,015	10,672	18,383	12,445	9,112	16,984	106,249
2	Japan	2,204	3,026	3,908	5,667	6,655	10,222	8,382	7,653	3,762	8,386	59,865
3	USA	4,816	(212)	1,494	4,384	3,945	3,406	6,345	3,392	4,086	8,578	40,234
4	South Korea	(240)	176	550	828	507	1,253	3,124	1,279	1,471	3,769	12,717
5	China	144	(71)	186	735	537	1,016	1,226	1,497	3,925	2,701	11,896
6	Canada	(80)	376	101	852	775	464	934	797	503	1641	6,363
7	Australia	(129)	80	156	490	211	303	1,040	973	775	1,765	5,664
8	India	28	94	102	81	391	(447)	534	440	826	2,584	4,633
9	New Zealand	15	101	88	(20)	452	(198)	119	116	262	93	1,028

Source: Data compiled from the ASEAN Secretariat (2009a:128 and 2011a:1).

In the light of this trade and investment development, Commission official A argued that:

Out of the 27 member states there were some who were involved in ASEAN, such as the UK, Germany, France and the Netherlands. The big member states have strong special commercial interests in the region. They clearly supported a FTA with ASEAN. They were conscious of the fact that ASEAN was opening out to other competitors who would be disadvantaged if they did not have an agreement themselves. They were very keen on having an agreement that allowed them to maintain a presence in the region and may be to improve it.<sup>126</sup>

At the same time, the Commission represents the economic interests of the EU business communities. Business Europe supports the EU's trade initiative with ASEAN in order to expand further the economic opportunities for European business and industries. Kerneis elaborated on the promotion of interests and values through a FTA by saying that: "For me the EU is also doing two different things. You have PCA where you put everything but trade, such as democracy, human rights and so on which is important. We are business, what we are interested in doing is a FTA. So,

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<sup>126</sup> Interview with Commission official A, 2010.



their obviously common visions and values are important; but I mean Asia does not have a common culture with Europe”.<sup>127</sup>

The Commission received, also, aspirations and comments from NGOs and the European Parliament who warned the Commission of the vulnerability in promoting only economic interests and in paying too little attention to sharing common EU values with ASEAN. They reminded the Commission also of the danger for FTAs for the least developed countries in South-East Asia and for small and medium enterprises in the EU. This situation might marginalize them from regional and international market economies. Maes argued that: “It was purely of economic interest. And there were no big trade agreement with ASEAN countries yet. ASEAN countries are also an important market and are also quite protected. This trade agreement is an opportunity to lower their protection and to get more active in these countries”.<sup>128</sup>

Vanslambrouck admitted that: “In the policy paper [Global Europe strategy], you can see human rights and so on are still there but that they become a footnote and less important compare to economic and commercial interests [...]. The Global Strategy was a turning point in changing this European mindset toward a more economic and commercial interest”.<sup>129</sup>

Markov reminded the Commission that: “Trade not only fulfils the economic aims but that trade is also responsible for development. Trade has tasks for social, environmental, human rights and development issues. The Commission all the time is only focusing on the economic part, therefore a FTA” (TNI, 2009). He questioned the EU’s common interest in ASEAN and its Global Europe strategy that:

Global Europe is saying the interest of the big European companies. I think we have much more to debate as to whether it is the production companies or trading companies [...]. Then, whether the interest of the EU is only in the big companies or do we consider the needs of small and medium enterprises of regional production. I think the Global Europe strategy is absolutely the wrong strategy. Therefore, we will never have success with it (Ibid).

Bendini explained that the European Parliament had a balanced a view on the EU’s trade policy; i.e. a balance between the promotion of economic interest and

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<sup>127</sup> Interview with Kerneis, 2011.

<sup>128</sup> Interview with Maes, 2011.

<sup>129</sup> Interview with Vanslambrouck, 2011.

values. The concern of the European Parliament about the promotion of common EU values to a third party was greater than in other EU institutions. He explained that: “There is certainly a strong interest in these values. I would not be surprised if the European Parliament keeps discussing and talking on these elements, more so than the Council or the Commission. It is typical or a sort of brand of how the European Parliament works”.<sup>130</sup>

An official from Germany stated that:

In terms of promoting values and interests, it is a mix. One of the core aspects of the EU and ASEAN relationship is certainly trade. Efforts to promote the trade relationship focused on a region-to-region FTA and then opted for the bilateral path as an intermediary option. In Germany, the interest in an FTA is very high. [...] For German industry and exporters are very strongly interested in that. [...] The German government has tried to keep trade high up on the EU and ASEAN agenda.<sup>131</sup>

This person continues by saying that: “In the trade area, it would be difficult to argue on the basis of values, it is very much driven by economic interests. [...] Economic interests, the need for growing export markets but also investment opportunities for European companies are key drivers. Basically, they invest in South-East Asia in order to produce a market in India and China”.<sup>132</sup>

The UK government and its parliament stressed that the government should pursue an ASEAN-EU FTA in order to assist its business community in commercial activities throughout the South-East Asia region. David Miliband, a former British foreign secretary stated that: “Our trade negotiations are done by the EU. We are always trying to promote open trade”.<sup>133</sup> An official from the UK emphasized that: “We are very strong defenders of FTA. So, we pursue FTA where we can around the world because we do think it is a valuable way to ensure there is free trade [...] Part of the government’s job is to make it easy for the business community to do business”.<sup>134</sup> The UK Parliament (2005b:5) added that: “The UK has historically been a significant trading partner in the region, and we detected a considerable amount of goodwill towards the UK and willingness to continue that relationship”.

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<sup>130</sup> Interview with Bendini, 2011.

<sup>131</sup> Interview with national official, Germany, 2010.

<sup>132</sup> Ibid.

<sup>133</sup> Interview with David Miliband, Edinburgh, 26 October 2011.

<sup>134</sup> Interview with national official, the UK, 2010.

An official from the Netherlands added that: “The Netherlands, in general, are pro free trade. [...] We do not want to protect our market. We are quite in favour of this [...] With ASEAN, from the Netherlands point of view, it would be mutually beneficial. ASEAN is not a threat for the Netherlands”.<sup>135</sup> This person argued that: “FTA is very clear. It is about economy and trade [...] the fact that there is a link. We cannot have an FTA unless we also have an agreement which is based on the promotion of values”.<sup>136</sup> This official explained that the EU tried to create a balance between the economic interests and common EU values in its trade agreement with regard to ASEAN. This person stated that: “We really cannot have a trade agreement without having an agreement which deals with human rights, rules of law, fighting terrorism and many other elements”.<sup>137</sup>

Commission official E explained what had reflected on any FTA or PCA which the EU had employed with ASEAN. The EU pursued a FTA with ASEAN on an inter-regional basis. The EU had sought, also, a way to achieve PCAs with every ASEAN country on a bilateral basis. This person argued that: “When it comes to FTA, it is about trade and investment. That is why PCA is important. When we talk about human rights and democracy, it is clear in PCA. The policy is clear as you know we do not sign FTA without PCA. PCA is an overarching agreement that covers everything, human rights, education and development. FTA covers trade and investment”.<sup>138</sup> The Commission did not sign any PCA with ASEAN countries when it attempted to create an ASEAN-EU FTA. It showed that the Commission paid more attention to the FTA than the PCA.

There were different views to consider as to whether or not an ASEAN–EU FTA was promoting purely economic interests and/or combining economic interests and common EU values. On the one hand, most EU institutions, member states and the business communities agreed that the FTA, which would be promoted to ASEAN, was a mixture of economic interests and common EU values. On the other hand, NGOs and the European Parliament believed that, largely, an ASEAN-EU FTA was promoting the EU’s economic interests and minimizing the importance of

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<sup>135</sup> Interview with national official, the Netherlands, 2011.

<sup>136</sup> Ibid.

<sup>137</sup> Ibid.

<sup>138</sup> Interview with Commission official E, 2010.

socio-environmental sustainability and labour/human rights issues. It would make the EU lose its credibility since, in an ASEAN-EU FTA, it focused only on economic interests.

Commission official F argued explicitly that, obviously, the EU promoted its economic interests. This person stated that: “It was both a combination of the two but clearly economic interests because ASEAN has a large population and it is a growing economic region. Both sides have an economic interest, ASEAN clearly has an economic interest in the EU. [...] So there are economic interests and also political interests within the European Commission”.<sup>139</sup> At the same time, in the context of an ASEAN–EU FTA, the Commission has accommodated the social and developmental concerns of the European Parliament and EU’s non-state actors.

The way, in which relevant actors were promoting and shaping the economic interests and common EU values, impacted on the outcome of the EU’s policy. The Council was dominated by key member states who wanted to establish an ASEAN–EU FTA. These member states promoted their economic interests to other member states in order to shape the Commission’s negotiating mandate. To some extent, key EU member states encouraged the Commission to share, through an ASEAN-EU FTA, a minimum of EU common values with ASEAN. The Commission was accommodating the economic interests of key member states and the business communities within the EU. It included, also, in its negotiating mandate the aspirations of the European Parliament and NGOs concerning common EU values, such as sustainable development and labour/human rights. It faced a difficult situation when attempting to find a balance between the promotion of the economic interest of key EU member states and of the business community within the EU and the common EU values implicit in its overall position on an ASEAN–EU FTA.

Overall, there were several reasons as to why the economic interests came before common EU values. Firstly, the key EU and northern countries demanded that the Commission improved the external competitiveness of European business against EU competitors in South-East Asia by gaining market access and reducing trade barriers. Secondly, the Commission focused more on a region-to-region FTA rather than a bilateral PCA with each ASEAN country. Thirdly, the Commission gave more

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<sup>139</sup> Interview with Commission official F, 2011.

access to the business community to shape the establishment of an ASEAN–EU FTA. This showed that economic interests took precedence over common EU values.

### **6.3.3. Mode of Engagement between the EU and ASEAN**

The Commission had implemented consultation and negotiation mechanisms as its modes of engagement to create an ASEAN–EU FTA. At the start, the Commission employed a consultation mechanism with ASEAN by establishing the Vision Group on the ASEAN–EU Economic Partnership. The Commission and Vietnam led the Vision Group which submitted its report to the consultation meeting between ASEAN Economic Ministers and the EU Trade Commissioner (ASEAN-EU Vision Group, 2006:1). Vietnam was elected as a coordinator of ASEAN countries on an ASEAN-EU FTA because, previously, it had been appointed as ASEAN’s coordinator on TREATI with the EU (ASEAN Secretariat, 2004b:73-74).

Ignacio Garcia Bercero, the European Commission’s Director of Development and Management of Trade Relations with South-East Asia, stated that: “Commissioner Peter Mandelson and ASEAN trade ministers decided to set up a group of senior officials to reflect on the possibility of a comprehensive FTA between the EU and ASEAN” (TNI, 2009). Commission official F added that “there was a vision group [...] that was leading up to the FTA”.<sup>140</sup> Bercero stated that: “This resulted in the production one year later of a report [...]. It is included some recommendations about what a FTA between two regions could represent. On this basis we went to the member states, we had member states give us an authorization to negotiate this FTA. We obtained this authorization in April 2007. On that basis we started negotiations with ASEAN, Korea and India” (Ibid).

After the EU’s negotiating mandate came out, the Commission employed, at this stage, a negotiation mechanism to create an ASEAN–EU FTA. The ASEAN Secretariat official A explained the way in which negotiation worked when both parties held ASEAN and EU free trade negotiations. This person stated that:

The Commission negotiated on behalf of the EU but on the ASEAN side, individual ASEAN governments sent their representatives. [...] The way of negotiation took place at the level of official. ASEAN got its common position before they could negotiate with the EU. [...] The Joint

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<sup>140</sup> Interview with Commission official F, 2011.

Committee reported to the ASEAN Economic Ministers and EU Trade Commissioner consultation.<sup>141</sup>

At the beginning of the negotiation process, the EU had wanted to exclude Myanmar, Lao PDR and Cambodia because they were the least developed countries which had received special treatment from the EU. Additionally, the EU did not want to have an economic relationship with Myanmar because of its political repression and because the military regime had committed human rights violations against Suu Kyi and the Myanmar people. The UK and the Netherlands led all EU member states in their opposition to the participation of Myanmar in the ASEAN and EU free trade negotiations (Falletti, 2007a:14). Consequently, Myanmar, Lao PDR and Cambodia were not included in the EU's negotiating mandate for free trade negotiations with ASEAN.

However, ASEAN did not agree to the EU's request on account of ASEAN being a single regional block. Myanmar was a member of ASEAN (Europe, 2007a:12). Ong Keng Yong, the ASEAN Secretary General said that: "It is understood that the ten members of ASEAN are holding discussions with the EU. No one will be excluded from this process" (Falletti, 2007b:11). At the end, the Commission agreed to treat ASEAN as a single regional block and to discuss, between both parties, only the trade aspects of FTA. However, the EU did not want to sign a final FTA, if Myanmar were to be included in it (Europe, 2007b:9).

The EU and ASEAN FTA Joint Committee met seven times between 2007 and 2009 to discuss an ASEAN-EU FTA. The first meeting of the Joint Committee was held on 19-20 July 2007 in Da Nang, Vietnam. The European Commission (2007c:1) and ASEAN discussed the modality; the work programme; and the time table for the ASEAN-EU free trade negotiations. ASEAN stated that they focused usually on trade in goods and services and investment. In the Cooperation Chapter, ASEAN negotiated IPR and competition policy. Previously, ASEAN had never negotiated a public procurement in each FTA. The Commission and ASEAN did not reach a common agreement with regard to the elements for negotiation because of their different approaches to trade negotiations. They agreed to form working groups

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<sup>141</sup> Interview with official A, the ASEAN Secretariat, Jakarta, 25 August 2010.

based on the architecture of the FTA where they could elaborate on each element in detail (Department of Trade Negotiations Thailand, 2007a:1).

The second meeting of the EU and ASEAN FTA Joint Committee was held on 22-23 October 2007 in Singapore. The Commission and ASEAN agreed to discuss trade in goods and services, investment and cooperation (Department of Trade Negotiations Thailand, 2007b:1). ASEAN countries were reluctant to use the Vision Group report as a reference point to an ASEAN-EU FTA because it was an academic paper and Ministers had not approved it as a foundation of an ASEAN-EU FTA (European Commission, 2007d:1-2). They agreed to adopt a report of the Joint Committee to the Economic Ministers; the work programme; and a time schedule for free trade negotiations. However, ASEAN wanted still to exchange views on areas covered by an ASEAN-EU FTA rather than start negotiations on these areas (European Commission, 2007e:1).

The third meeting of the EU and ASEAN FTA Joint Committee was held on 30 January–1 February 2008 in Brussels (European Commission, 2008b:1). The Commission planned to communicate to every ASEAN country as to how they pursued their position within the FTA provisions and to make clear their level of ambition regarding the creation of an ASEAN-EU FTA.<sup>142</sup> The European Commission (2008c:1-2) proposed several elements to be included at the next meeting such as trade in goods and services; non-tariff barriers; competition; public procurement; IPRs; customs facilitation; sanitary and phytosanitary measures; rules of origin; sustainable development; and dispute settlement mechanisms. However, ASEAN raised its concerns about several proposed elements such as IPR; competition; public procurement; and sustainable development on which, previously, it had never negotiated in each FTA (Department of Trade Negotiations Thailand, 2008a:1).

The fourth meeting of the EU and ASEAN FTA Joint Committee was held on 16–18 April 2008 in Bangkok, Thailand (European Commission, 2008d:1). The European Commission (2008e:1) and ASEAN discussed all elements of the ASEAN-EU FTA except public procurement and competition. They had their differences on several elements of the ASEAN–EU FTA such as IPRs; sustainable development;

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<sup>142</sup> The variable geometry arrangement aimed to prevent the lowest common denominator strategy.

trade in services; and establishment of a settlement to disputes. ASEAN addressed the Commission on the issue of the different level of development between them. ASEAN wanted the Commission to consider and treat the liberalization of trade differently. The Commission was concerned about the slow process of the ASEAN-EU free trade negotiations because of their differences on several issues (Department of Trade Negotiations Thailand, 2008b:1).

The fifth meeting of the EU and ASEAN FTA Joint Committee was held on 25–27 June 2008 in Manila, the Philippines. The Commission and ASEAN had still a similar situation to that of previous meetings where there had been different views on IPRs; sustainable development; trade in services; and the establishment of a settlement to disputes. ASEAN was concerned about the complexity of the IPR and trade in service proposals from the European Commission (2008f:2). ASEAN was reluctant to include sustainable development in the ASEAN–EU FTA. The Commission assured ASEAN that the ASEAN–EU FTA would not have a negative impact on society and the environment. In the end, several ASEAN countries did not agree to negotiate with the Commission on competition policy and public procurement (Department of Trade Negotiations Thailand, 2008c:1).

The sixth meeting of the EU and ASEAN FTA Joint Committee was held on 15-17 October 2008 in Hanoi, Vietnam (European Commission, 2008g:2). The Commission and ASEAN focused still on the technical barriers to trade and the implications of technical regulations. There was no major progress on trade negotiations between ASEAN and the European Commission (2008h:1). The EU continued not to involve Cambodia, Lao PDR and Myanmar in the proposed FTA because they were the least developed countries. Moreover, the EU was concerned about human right violations and the undemocratic regime in Myanmar (Torres, 2008:1).

The seventh meeting of the EU and ASEAN FTA Joint Committee was held on 4-5 March 2009 in Kuala Lumpur, Malaysia. The main agenda of this meeting was to discuss frankly, between the two parties, the next direction in the ASEAN-EU FTA. This meeting was held in closed format (European Commission, 2008i:2). The EU pointed out the various obstacles in the negotiations as mentioned at the Joint Committee's previous meetings. ASEAN wanted the Commission to consider it as a



regional block which involved all ASEAN countries in their free trade negotiations (Ibid). Consequently, the European Commission (2011a:2) and ASEAN agreed to have a pause in their free trade negotiations.

In their free trade negotiations, the EU and ASEAN held different positions on crucial issues. In considering the question from an EU perspective, the EU wanted to exclude Myanmar from the ASEAN block because the government authority, in Myanmar, represented a repressive military regime and had committed human rights violations against its people. Then, the EU offered a WTO plus arrangement to ASEAN for their future FTA. Finally, the EU excluded Cambodia and Lao PDR from the process of free trade negotiations because they were not ready to join an ASEAN–EU FTA (Europe, 2007c:16).

The responses from the ASEAN side were that, firstly, the EU had to include Myanmar, Cambodia and the Lao PDR in the process of free trade negotiations between the two regions. ASEAN wanted to negotiate with the EU on the basis of 10 countries. The ASEAN Secretariat official A stated that: “The political factor is also one reason. The Myanmar factor is given the EU position on Myanmar. The EU at some stage in the negotiation realized that they were not going very far. They also wanted to pursue a plurilateral approach, may be they would do three or four first. But ASEAN is 10 or nothing”.<sup>143</sup>

Secondly, as yet, most ASEAN countries were not ready to adopt and apply a WTO plus arrangement because of their different levels and capacities in economic development which would affect adversely their response to such an arrangement. ASEAN countries were divided on the question of the WTO plus arrangement. On the one side, most ASEAN countries did not want still to liberalize their economies fully as requested by the EU. Malaysia did not want to include public procurement in free trade negotiations. Thailand released rigid regulations for FDI during the period of the ASEAN and EU free trade negotiations. Indonesia had a problem with the EU when it prohibited Indonesian airlines from landing at EU airports. On the other side, Singapore and Brunei Darussalam were very attracted by the prospect of an FTA offered by the EU. Vietnam and the Philippines looked positively at the proposed ASEAN-EU FTA (Falletti, 2008:10-11).

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<sup>143</sup> Interview with the ASEAN Secretariat official A, 2010.

Thirdly, ASEAN pursued the EU to allow Cambodia, Myanmar and Lao PDR to enter the process of free trade negotiations because, in the long term, a future FTA could cover economic and development cooperation between the two regions. ASEAN requested that the EU preserved a different treatment for Cambodia, Myanmar and Lao PDR in a proposed FTA because they remained the least developed countries (Europe, 2007c:16). The ASEAN Secretariat official A asked the question: “When you negotiate with a Group of 10, countries like Lao PDR and Cambodia who are recipients of the Everything But Arms (EBA)<sup>144</sup>, what benefits do they see in further negotiations with the EU? If they are not keen to do anything because they already have everything under EBA, they see no need to do anything further”.<sup>145</sup>

The ASEAN Secretariat suggested Cambodia, Lao PDR and Myanmar concerning their long term advantage in being part of a joint ASEAN-EU FTA rather than the EBA. The ASEAN Secretariat official A explained that: “We also tell Lao PDR and Cambodia that EBA is a short term agreement until 2015. But the ASEAN-EU FTA is long term. You would need to concretize or integrate what you have from EBA into an ASEAN-EU FTA, so as to prolong or make more certain the benefits that you would get from EBA”.<sup>146</sup>

After two years of ASEAN and EU trade negotiations, the EU and ASEAN decided to put them on hold due to a different stance between them. Commission official E mentioned that:

We started negotiating further on tariff concessions, services, rules and the top down process, we did not negotiate on the substance because all negotiations were on the process, how to move forward, how to exchange agendas, on whether they were keen on the agenda or not, on the negotiation, themselves for almost two years from July 2007 to March 2009 when we suspended the negotiation. In March 2009, the EU and ASEAN FTA Joint Committee agreed to put the negotiations on hold because we were not making progress.<sup>147</sup>

The EU used consultation and negotiation mechanisms as the modes of engagement in its interaction with ASEAN on the establishment of an ASEAN-EU

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<sup>144</sup> EBA applies duty free access to the import of all products from least developed countries, except in the case of arms and ammunition (European Commission, 2011b:1).

<sup>145</sup> Interview with the ASEAN Secretariat official A, 2010.

<sup>146</sup> Ibid.

<sup>147</sup> Interview with Commission official E, 2010.

FTA. Commission official F confirmed that: “Clearly what we want to do was to understand ASEAN’s thinking and to understand how ASEAN would see a FTA with the EU. We want to make it very clear that for us it would have to be very comprehensive”.<sup>148</sup> The EU’s policy toward the establishment of an ASEAN-EU FTA was influenced by a negotiation mechanism related to the Global Europe communication. Commission official A argued that there had been a shift in EU policy which had focused previously on consultation to negotiation.<sup>149</sup> Commission official E stated that: “We really choose negotiation with ASEAN because the Global Europe communication led to a change of strategy in 2006”.<sup>150</sup>

The Council shared similar perspectives with the Commission on the way the Commission pursued ASEAN to create an FTA between them. Council official A stated that: “We would announce to the Council that we are having informal talks with the ASEAN Secretariat, on what are the issues and whether we feel a FTA would possible cover them [...]. Once we have this general outline, it usually takes a few rounds. In difficult cases it would take many rounds or even also possibly not come to an agreement at all”.<sup>151</sup>

Maes explained how the Commission applied consultations and negotiations with ASEAN in order to form a FTA. He elaborated that:

The parties consulted each other as to whether the level of ambition was there [...]. They had to find out first what they really had to offer and to ascertain their demands and put on the table a proposal of market liberalization. The Commission discussed and checked how far ASEAN countries could go with this and in which sectors [...]. Then, it formulates a proposal for its partner. They go many rounds before they really go to the target.<sup>152</sup>

In the light of the ASEAN and EU free trade negotiations, Charles Santiago, an ASEAN parliamentarian, argued that there was a lack of transparency and accountability in these negotiations. According to Santiago, the ASEAN negotiator told NGO activists in March 2009, in Malaysia, that: “In the case of IPR, they are exchanging views. This is ASEAN’s feeling and the EU says that it has its own

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<sup>148</sup> Interview with Commission official F, 2011.

<sup>149</sup> Interview with Commission official A, 2011.

<sup>150</sup> Interview with Commission official E, 2010.

<sup>151</sup> Interview with Council official A, 2011.

<sup>152</sup> Interview with Maes, 2011.

ideas. They had found out the following day that the EU had already given a paper to ASEAN saying this was the IPR requirement that we wanted from ASEAN. The level of transparency in the scale of one to ten is zero” (TNI, 2009). Santiago added further that “we have made many attempts to discuss or even to find out from our own governments about what has been negotiated in the agreement [...]. We would not get anything concrete from our governments as to what exactly is being negotiated”.<sup>153</sup>

A NGO activist explained that, at the GoI and ASEAN levels, there was a lack of involvement in and small access for NGOs in trade negotiations such as the ASEAN-EU free trade negotiations. NGOs had difficulty in obtaining a draft of ASEAN-EU FTA. They monitored, from the media, the latest developments on trade negotiations. They thought there was a complex and less integrated bureaucratic system within the ASEAN Ministries countries and in the ASEAN secretariat.<sup>154</sup> Consequently, Southeast Asian NGOs, with the support of trade campaigners from Europe, established the EU-ASEAN FTA Campaign Network (2008:1) and held protest rallies in several ASEAN countries about the lack of transparency in the ASEAN-EU free trade negotiations and requested the involvement of NGOs in these negotiations. The European NGOs supported the Network (111111, 2008:1) through information sharing and coalition building. As they observed developments in those activities, the European NGOs provided analyses on both the creation of the EU negotiating mandate and the negotiations for an ASEAN-EU FTA for Southeast Asian NGOs. They helped Southeast Asian campaigners to cooperate with another coalition of NGOs and to communicate with members of the European Parliament on FTA issues.<sup>155</sup>

Markov admitted that there was a lack of transparency with regard to the negotiating mandate for the Commission. He argued that: “Member states gave a mandate. The interests of member states are however very different because trade is in fact a European matter not a matter for member states. Then, you debate, negotiate, get a result and present it to the member states. You are acting sometimes

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<sup>153</sup> Interview with Charles Santiago, a Malaysian Parliamentarian from the Democratic Action Party, Skype, 2 February 2012.

<sup>154</sup> Interview with a NGO activist from South-East Asia, E-mail, 23 December 2011.

<sup>155</sup> Interview with Vanslambrouck, 2011.

very freely within the scope of the mandate. The mandate is not transparent” (TNI, 2009).

Consultation and negotiation had an impact on the way in which the EU and ASEAN formulated a foundation report, in the Vision Group, and the outcome of ASEAN and EU free trade negotiations. In the consultation period, the Vision Group was a means of exchanging views and formulating a report between the two regions which led to the creation of an ASEAN–EU FTA. These regions reached a common view and a better understanding of the future ASEAN–EU FTA. This was reflected in the Vision Group report. The Commission and the Council used the report to develop a negotiating mandate for opening negotiations with ASEAN.

However, there were some differences between the EU and ASEAN which led to deadlock in their trade negotiations. On the one side, the EU could not accommodate ASEAN’s aspirations to include Myanmar, Lao PDR and Cambodia in the framework of an ASEAN–EU FTA. It hoped ASEAN could accelerate the completion of an ASEAN–EU FTA. On the other hand, ASEAN could not meet the EU’s aspirations with regard to the exclusion of Myanmar, Lao PDR and Cambodia from an ASEAN–EU FTA and the level of expectation with regard to the WTO plus arrangement. ASEAN wished to discuss the elements of an ASEAN–EU FTA further with the EU. Then, NGOs and the European Parliament criticized the Commission and ASEAN because of a lack of transparency in their negotiations. Overall, the EU and ASEAN could form collectively a Vision Group report through a consensus building mechanism. However, during the course of the negotiation period, they ceased their interactive bargaining on the ASEAN–EU FTA.

#### **6.3.4. The Level of Integration within ASEAN**

The process of regional integration, within ASEAN, is still ongoing from 2007 to the present day. Between 2007 and 2010, ASEAN’s regional integration had advanced from its early inception, in 2003, when it focused on the implementation of AFTA. ASEAN has been persuading for the creation of a common market for its regional economic integration within the ASEAN Community.<sup>156</sup> I explain the

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<sup>156</sup> According to Balassa and Cuyvers (see Chapter 3), the establishment of a common market is the third stage of regional economic integration after the creation of custom union and a free trade area within a region.

development of the ASEAN Community as pillars of ASEAN's regional integration and the way in which the ASEAN Charter supports the realization of the ASEAN Community. Then, I examine the effect of the level of ASEAN regional integration on the development of the EU's policy towards the creation of an ASEAN–EU FTA.

ASEAN countries recognized that ASEAN needed to pursue its regional integration in order to tackle regional and global challenges in an effective way. They agreed to form an ASEAN Community. There are reasons as to why ASEAN countries realized that they should build an ASEAN Community. These were: firstly, they needed to develop a comprehensive approach to the regional integration of ASEAN which has focused not only on regional economic integration but, also, on the political and socio-cultural aspects of cooperation. They wanted to preserve regional security in South-East Asia. Secondly, the Asian financial crisis had provided a valuable lesson for ASEAN countries on how to build a regional framework in order to respond to any potential crisis in the future. Thirdly, ASEAN countries wanted to improve intra-trade and investment within ASEAN covered by AFTA and the ASEAN Investment Area (OECD, 2007:2-3). This situation aimed to reduce the economic and developmental gap which existed between different ASEAN countries. Fourthly, ASEAN countries wanted to implement open regionalism to attract ASEAN's external partners to engage with ASEAN. (Yudhoyono, 2005:1).

The establishment of the ASEAN Community started in 2002. The leaders of ASEAN met on 4 November 2002 at the 8<sup>th</sup> ASEAN Summit in Phnom Penh, Cambodia. They declared that the Phnom Penh Agenda for a Community of Southeast Asian Nations was a step towards the integration of ASEAN. The Summit covered the following main issues: firstly, the implementation of an economic development programme for the Greater Mekong sub-region<sup>157</sup> was a way to speed up ASEAN integration. Secondly, the promotion of tourism was important in making ASEAN a single tourist attraction. Thirdly, it was to build a solidarity of peace and security in South-East Asia. Fourth, ASEAN considered the AEC as a final destination for its economic integration (ASEAN Secretariat, 2002d:1). In 2003, the ASEAN leaders finalized the formulation of the ASEAN Community. The ASEAN

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<sup>157</sup> It consists of Vietnam, Thailand, Cambodia, Myanmar and Lao PDR.

Community includes essential parts of the ASEAN Vision 2020<sup>158</sup>; the Hanoi Plan of Action (1999–2004)<sup>159</sup>; the IAI; and the Roadmap for Integration of ASEAN (ASEAN Secretariat, 2003e:1).

The ASEAN leaders launched the ASEAN Community on 7 October 2003 at the 9<sup>th</sup> ASEAN Summit in Bali, Indonesia. ASEAN countries agreed to the Declaration of ASEAN Concord II which consisted of the agreement to build, in 2020, the ASEAN Community (the APSC; the AEC; and the ASEAN Socio-Cultural Community (ASCC)). The strategies and objectives of the ASEAN Community were translated into detailed programmes known as the VAP which ASEAN countries implemented from 2004 to 2010 (ASEAN Secretariat, 2004c:4-5).

The ASEAN countries agreed to bring forward the year for the realization of the ASEAN Community from 2020 to 2015. On 13 January 2007 at the 12<sup>th</sup> ASEAN Summit in Cebu, Philippines, they declared the Cebu Declaration on the Establishment of the ASEAN Community by 2015 (ASEAN Secretariat, 2007b:1). Later, on 1 March 2009, the Cha-am Hua Hin Declaration on the Roadmap for the ASEAN Community (2009–2015) was launched at the 14<sup>th</sup> ASEAN Summit in Cha-am, Thailand (ASEAN Secretariat, 2009e:1-2). This roadmap revised the 2009 VAP which consists of blueprints for each ASEAN Community.

To support the process of regional integration within ASEAN, the ASEAN leaders signed the ASEAN Charter on 20 November 2007 at the 13<sup>th</sup> ASEAN Summit in Singapore (ASEAN Secretariat, 2007c:1). It came into force on 15 December 2008. ASEAN leaders agreed to adopt the Charter after the 14<sup>th</sup> ASEAN Summit in Thailand (ASEAN Secretariat, 2009f:1). The Charter, as a legal personality, strengthens ASEAN's capabilities and resources in order to meet its challenges and goals. The birth of the Charter has transformed this regional organization from a loosely-organized organization to a solid regional inter-governmental organization. The Charter reflected a new political commitment of ASEAN countries to integrate and to establish the ASEAN Community (ASEAN Secretariat, 2008b and 2008c:1-5).

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<sup>158</sup> It aims to achieve a deeper economic integration through AFTA and the ASEAN Investment Area in 2010, the development of sub-regional cooperation, the important role of business groups and the enlargement of cooperation with ASEAN's external partners.

<sup>159</sup> It aims to reduce the development gap between old and new ASEAN countries.

Solana stated that: “We see this regional association as the beginning of something big” (Europe, 2007d:2). He pointed to the realization of the AEC in 2015 and to the ratification of an ASEAN Charter as the emergence of ASEAN as one of the important regional organizations in the world (Ibid). At the commemorative summit on the 30<sup>th</sup> anniversary in the EU and ASEAN relationship, the EU emphasized that it supported the ratification of the ASEAN Charter as a foundation for an effective structure to realize the ASEAN Community in 2015 (Europe, 2007c:16). Miliband argued that: “The regional institution is going to be more important in the 21<sup>st</sup> century than people realize [...]. I think in Asia, you can see that developing as well. [...] I think ASEAN is right for developing a stronger regional structure”.<sup>160</sup>

The realization of the ASEAN Community is still ongoing. The above situation came about when the Commission and the Council developed the EU’s policy for an ASEAN–EU FTA. The EU realized that the political and economic aspects of cooperation could not be sustained, if ASEAN did not have internal coherence and solidity as a regional organization. ASEAN consolidated its structure, strategy and resources in order to reach its regional integration in 2015 which I refer to as the ASEAN’s developmental transformation.

Mandelson understood that ASEAN was one of the emerging markets in the world. The EU approached ASEAN to establish a FTA and to share the EU’s experience of regional economic integration. However, ASEAN did not follow the EU’s integration model (ASEAN Secretariat, 2006b:1). Mandelson (2006b:4) argued that: “With ASEAN and Andean countries, our goal is to reach agreement not with individual countries but with regional groupings who want, in their own ways, to draw the lessons of Europe’s successful experience of economic integration”. He explained that the EU could assist ASEAN countries to integrate their various trade regulations in a common market. He stated that “the ten countries of ASEAN have more than 30 FTAs among themselves [...]. The prospect of an EU-ASEAN bilateral trade agreement is one of the strongest incentives to replace that complexity with a more unified market; replacing thirty sets of rules with one” (Ibid).

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<sup>160</sup> Interview with Miliband, 2011.



Commission official A argued that the level of integration within ASEAN was one of criteria in the EU's communication to choose ASEAN as a priority for FTA because of its own regional integration process which was on going.<sup>161</sup> Commission official F stated that the level of integration within ASEAN was a crucial factor to be considered by the Commission when it created its policy for a FTA with ASEAN. This person stated that: "It was very important. I think that if ASEAN itself have been working on the establishment of the AEC that would indicate that they would want to deepen their integration".<sup>162</sup> This person added that "In the EU, there is one custom border once goods enter they can move freely through whole of it. [...] We want to ensure that ASEAN is moving in that kind of direction".<sup>163</sup>

Council official A argued that: "The level of integration in ASEAN was of course crucial, when we decided to start the creation of an ASEAN-EU FTA. ASEAN was unfortunately not integrated enough was the main reason why we pulled out of the FTA".<sup>164</sup> An official from the Netherlands admitted the relevance of the level of integration by saying "I think so, we must have thought that it would be possible [...]. The EU prefers to have agreement with either bigger countries or a block of countries rather than an individual country".<sup>165</sup>

In the process of the ASEAN and EU free trade negotiations, ASEAN had a different level of ambition from the EU in the context of the coverage of economic sectors and the completeness of the ASEAN-EU FTA. The EU proposed to ASEAN a FTA based on the WTO plus arrangement which was ambitious in its economic areas and high level of liberalization. An official from the Netherlands argued that: "I do know that the EU has quite a high standard as well and that our trade agreement is very ambitious." <sup>166</sup>

However, ASEAN countries had a different expectation with regard to the proposed FTA because of their economic capability and capacity to respond to the EU's offer. An official from the Netherlands argued further that: "The interests among ASEAN member states on the issue of trade were very diverse and so the

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<sup>161</sup> Interview with Commission official A, 2010.

<sup>162</sup> Interview with Commission official F, 2011.

<sup>163</sup> Ibid.

<sup>164</sup> Interview with Council official A, 2011.

<sup>165</sup> Interview with national official, the Netherlands, 2011.

<sup>166</sup> Interview with national official, the Netherlands, 2011.

level of integration was not yet high enough to actually have an agreement like that”.<sup>167</sup> This person summarized that “we wanted and thought that we could have a region to region agreement [...]. I think we had assumed that it would be possible; but probably it might turn out that it was not possible”.<sup>168</sup>

Jan-Willem Blankert, a Special Advisor on the EU and ASEAN relationship from the EU’s delegation to ASEAN, stated that: “As for the FTA talks between the EU and ASEAN, I think the EU wanted too much at once, we were too ambitious. [...] ASEAN was trying to keep it fairly simple” (Sohn, 2010:13). Commission official G added that “the two blocs have not been able to agree and even continue negotiations for FTA between the two”.<sup>169</sup>

Other reasons why they had a different level of ambition for a FTA were that, firstly, ASEAN countries were consolidating themselves still in their regional integration and secondly, that ASEAN countries had a different level of economic development among them. Some developed ASEAN countries were ready to sign up for the ASEAN–EU FTA. However, most ASEAN countries were not ready to liberalize their national economies to the EU. Consequently, ASEAN proposed a selective FTA to the EU which was based only on trade in goods, selective services and investment. A selective FTA has been applied by ASEAN when it establishes FTAs with China, Japan, South Korea, India, Australia and New Zealand. Commission official F argued that: “There is a concrete basis on which we want to negotiate a FTA. That would be a reflection of mutual understanding and expectation from both sides. I think ASEAN did not see it to be quite such a firm basis for discussion. So once we were discussing details of the FTA, then it would become clear that both parties had different expectations”.<sup>170</sup>

The Commission realized that the level of ASEAN’s regional integration had to be developed still. It was seeking a way to promote its experience of regional integration as a lesson to be learnt by ASEAN. Commission official F stated that:

ASEAN was one of the regional bodies which we saw developing in a similar way to the EU. [...] We could support ASEAN because we had done similar things in the past. We had encountered a number of issues

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<sup>167</sup> Ibid.

<sup>168</sup> Ibid.

<sup>169</sup> Interview with Commission official G, 2009.

<sup>170</sup> Interview with Commission official F, 2011.

and difficulties that we expected ASEAN would encounter at the same time. We thought that a FTA to some extent would provide a basis for trade and cooperation that encompassed the idea of both sides working together on economic integration.<sup>171</sup>

Recently, De Gucht explained that the EU planned to use a common backbone for its FTA with each ASEAN country. After the EU concluded these negotiations with each ASEAN country, the AEC would be implemented in 2015. At that time, it is appropriate for the EU and ASEAN to shift their economic relationship based on inter-regional approach (Dewi, 2011:1). To meet this objective, the Commission assisted ASEAN's regional integration with the realization of AEC. The Commission and ASEAN had concluded the APRIS I<sup>172</sup> and II<sup>173</sup> programmes. The EU funded these programmes with a total amount of € 10 million (ASEAN Secretariat, 2011c:1). The APRIS II programme focused on the development of the AEC, standards and conformance; customs and trade facilitation; investment capacity building for the ASEAN Secretariat; and the strengthening of TREATI and the Regional EU and ASEAN Dialogue Instrument (READI)<sup>174</sup> (ASEAN Secretariat, 2010c:1).

In 2011, the Commission and ASEAN shifted their joint programme from APRIS to a new ASEAN economic integration support programme. In 2012, they launched formally their joint programme known as ASEAN Regional Integration Support by the EU (ARISE) (Council of the EU, 2012b:1). ARISE mainly supports ASEAN in order to achieve the AEC. The EU supports ASEAN integration by assisting the realization of trade related elements in the AEC with the EU-ASEAN Enhancing ASEAN FTA Negotiating Capacity Programme. The EU strengthens the technical expertise and capacity of ASEAN negotiators in the process of trade negotiations and raises public awareness about their FTA within South-East Asia (EU and ASEAN, 2011:3-4).

The regional integration, within ASEAN, was still in progress when the EU developed its policy on the creation of an ASEAN-EU FTA. ASEAN focused on the

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<sup>171</sup> Interview with Commission official F, 2011.

<sup>172</sup> See Chapter 4.

<sup>173</sup> From November 2006 to December 2010.

<sup>174</sup> It is a means of discussing non-economic affairs between the two regions (signed on 10 March 2005).

development of its Community and especially on the AEC. The EU viewed the level of regional integration within ASEAN as the external factor which needed to be taken into account in its trade policy toward ASEAN. The EU's economic interest and the level of integration within ASEAN were in tension because the latter was continuing to develop. Consequently, within ASEAN, there was a low level of ambition because ASEAN was continuing to work on the development of its regional integration and was narrowing the development gap between its countries. The EU had an economic interest in establishing a region-to-region FTA with ASEAN in order to gain market access and improve the investment flow in South-East Asia. The EU wanted a comprehensive FTA with ASEAN because of its own economic ambitions and ASEAN's economic importance. However, ASEAN wanted a selective FTA with the EU. The EU and ASEAN had different levels of expectation for an ASEAN–EU FTA. Therefore, they put on hold their free trade negotiations.

The level of regional integration within ASEAN became gradually an important factor in the development of this EU policy. An integrated ASEAN would be more attractive to the EU because ASEAN would be more solid and cohesive as a regional organization. ASEAN could improve its economic development and achieve a single market. The regional integration within ASEAN could assist in the creation of an ASEAN–EU FTA on a region-to-region basis. This situation would create a co-operative linkage between the EU's economic interests and the regional integration within ASEAN. The EU assisted further in the process of regional integration, within ASEAN, through initiatives such as the ARISE. The level of regional integration within ASEAN deserves to receive more attention because it affects the EU's economic interest.

#### **6.3.5. External Pressures and Opportunities in the EU's Policy Development on the Establishment of an ASEAN-EU FTA**

In this section, the method of analysis is slightly different from that of previous sections because of the complex relationship between the external pressures and opportunities in the development of the EU's policy for an ASEAN–EU FTA. The pressures and opportunities were threefold: firstly, the deadlock in the WTO Doha Round negotiations at the multilateral level; secondly, the significant role of ASEAN in an evolving regional architecture of East Asia cooperation at the regional level;

and, thirdly, the inclusion of Myanmar in the ASEAN and EU free trade negotiations at the bilateral level. These pressures and opportunities were associated with the external political economy element. I elaborate upon these pressures and opportunities. Then, I explain the implication of the above circumstances for the development of this EU policy.

#### **a. A Deadlock of WTO Doha Round Negotiations**

At the multilateral level, the WTO began the Doha Round of negotiations in November 2001 in Doha, Qatar. These trade negotiations aimed to reduce tariffs on agricultural and industrial goods; to eliminate farm subsidies; and to liberalize trade in services. The Doha Round negotiations were divided into two clusters of discussion; the first cluster was concerned with trade in agricultural and farm goods and the second cluster was concerned with trade in industrial goods or non-agricultural market access (NAMA). In the first Doha Round talks, the majority of trade ministers were confident that trade liberalization would promote economic growth and development in both developed and developing countries.

However, in 2003, trade negotiators failed to reach a common view at the WTO meeting in Cancun, Mexico. There were crucial differences between developed and developing countries, both on agricultural and farm subsidies for farmers in the EU and USA and on the inclusion of the Singapore issues<sup>175</sup> within the Doha Round negotiations. Developing countries criticized the Singapore issues because, in developing and least developed countries, they would have a negative impact on people who did not have the capability to deal with these issues (WTO, 2003:1).

The next WTO (2004:1) Doha Round meeting was in 2004 in Geneva, Switzerland. The EU, USA and Japan agreed to remove tariff barriers and some subsidies such as agricultural export subsidies and trade distorting subsidies. Developing countries agreed to eliminate tariffs on imported manufactured products but still reserved the right to secure selected important industries. Afterwards, the WTO (2005:1) Doha Round talks continued in 2005 in Hongkong. All WTO members failed to achieve a final DDA. However, the developed countries agreed to set a quota and tariff free imports from the least developed countries and to eliminate

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<sup>175</sup> Competition policy, trade facilitation and government procurement.

agricultural export subsidies in 2013. The next WTO (2006:1) Doha Round talks were held in 2006 in Geneva. However, these failed to agree on modalities for trade in agriculture and industrial goods. The WTO conference agreed to suspend the Doha Round negotiations.

The 2008 WTO (2008b:1) Doha Round talks were held in Davos, Switzerland. The developed and developing countries still had differences on agricultural tariffs and subsidies. The EU and USA did not want to eliminate their agricultural tariffs and farm subsidies. Consequently, developing countries did not wish, also, to liberalize their industrial products and services. In October 2008, the global financial crisis hit the major economies which made national governments pay attention to saving their own industries. They tended to employ trade protectionism (UNCTAD, 2010:9). For years, this global situation deepened significantly the deadlock in the WTO's Doha Round negotiations.

In November 2009, the WTO (2009:1) Doha Round meeting was held in Geneva. The developed and developing countries still continued to disagree on agricultural and NAMA; trade in services; trade facilitation measures; and the removal of tariffs and agricultural/farm subsidies. This uncertain situation continues until the present day and it remains unclear when the Doha Round negotiations will be concluded. Consequently, countries and regional organizations searched for a modality to establish an economic relationship between them. Mandelson released the Global Europe communication in order to expand the scope of EU trade strategy by pursuing bilateral and regional trade co-operation, such as a FTA (European Commission, 2006a:8).

#### **b. The Crucial Role of ASEAN in Wider East Asian Cooperation**

At the regional level, most countries in the East Asia region realized the need for regional cooperation in order to respond to common challenges such as the Asian financial crisis and the preservation of stability in the region. There was a need to create a bridge between ASEAN and countries in North-East Asia. ASEAN's role has been pivotal in the East Asia cooperation. ASEAN is the main actor and in the driving seat in realizing East Asia cooperation such as the ASEAN+3 cooperation and the EAS.

The ASEAN+3 cooperation is a regional entity consisting of the ASEAN countries together with China, Japan and South Korea. The ASEAN+3 cooperation focuses on cooperation in the political and security spheres and in the economic and the socio-cultural spheres. In the political and security sphere, the scope of ASEAN+3's cooperation tackles transnational crime and counter-terrorism. In the area of economic cooperation, ASEAN+3's focus is on trade facilitation; financial and monetary cooperation; and food and energy security. In socio-cultural cooperation, ASEAN+3 deals with culture and arts; poverty reduction; environmental protection; and disaster management and development (ASEAN Secretariat, 2011d:1).

The EAS is an open forum for the exchange of views of East Asian leaders. It aims to foster community-building within the East Asia region and to support the ASEAN Community as an integral element in the evolving regional architecture (ASEAN Secretariat, 2005b:1-2). It agreed to work collectively on various political, economic and socio-cultural issues at the regional and global levels.<sup>176</sup> The participants in the first EAS were ASEAN countries, China, Japan, South Korea, India, Australia and New Zealand. The EAS expanded its membership by inviting Russia and the USA to start their involvement at the sixth Summit in November 2011.

With regard to the EAS, the leaders of ASEAN, China, Japan and South Korea took the preliminary step in creating EAS when, in 1997, they agreed to meet and form the ASEAN+3. There is an understanding amongst the ASEAN+3 member states that the ASEAN+3 is acknowledged as a means of establishing the East Asian cooperation. Consequently, the ASEAN+3 is preserved by participating member states. ASEAN+3 member states agreed to establish an EAS and the ASEAN+3 as separate entities. They believed that the EAS would complement the ASEAN+3 rather than undermine it. The ASEAN+3 and the EAS affect and intertwine with each other. The reason why they came up with this idea was that some ASEAN countries were concerned about the decline of ASEAN's role in East Asian cooperation, if an EAS were greater than the ASEAN+3 (Stubbs, 2002:448 & 453).

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<sup>176</sup> See Appendix 9.

The importance of East Asia emerged because of its dynamic economy and the potential of its huge markets such as in regional trade in goods; FDI; and the rising demands of middle income population. East Asia is a large economic region because it accounts for a quarter of world GDP and is nearly half of the world's population. In 2008, total GDP of participating EAS countries was USD 13,963,737 million. Total population of East Asian countries was 3.242 billion people. In the same year, the world GDP was USD 60,587,016 million and the world population was 6.692 billion people. In 2008, 23.05 % of world GDP was produced by those countries participating in the EAS.<sup>177</sup> The percentage of population of participating countries in EAS was 48.44 % of the world's population.

In 2009, total GDP of participating EAS countries was USD 14,769,889 million. Total population of East Asian countries was 3.270 billion people. In 2009, the world GDP was USD 58,259,785 million and the world's population was 6.775 billion people.<sup>178</sup> In the same year, the GDP percentage of participating EAS countries was 25.35 % of the world's GDP. The population of participating EAS countries was 48.26 % of the world's population.

All EAS participating countries enjoyed FDI inflows because the total amount of FDI improved significantly from USD 254,081 million (2006) to USD 369,241 million (2008). Trade and business activities increased significantly which created many jobs for people living in this region. The amount of FDI outflows rose from USD 202,210 million (2006) to USD 362,811 million (2008).<sup>179</sup>

ASEAN plays a crucial role as the regional organization shaping and driving the East Asian cooperation. The ASEAN+3 and the EAS are two modalities where ASEAN is a focal point amongst East Asian countries. ASEAN employs three requirements for participating countries to join the EAS. These are: firstly, the participating countries should sign the ASEAN's TAC. Secondly, the participating countries have to become external partners of ASEAN. Thirdly, the participating countries should have essential cooperation with ASEAN (ASEAN Secretariat, 2005a:1-2).

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<sup>177</sup> See Appendix 10.

<sup>178</sup> Ibid.

<sup>179</sup> See Appendix 11.



ASEAN has become more attractive to its external partners because it has a central role in various regional initiatives in East Asia particularly in the case of the establishment of the East Asia cooperation. ASEAN has the authority to accept an external partner to be a member of the East Asia cooperation. The East Asia cooperation aims to develop economic integration amongst its member states and create regional stability in East Asia (Taib, 2006:90). Given these circumstances, it could be an economic opportunity for the EU to further its engagement with East Asia. An ASEAN–EU FTA could serve as a stepping stone by which the EU might develop a deeper economic partnership with ASEAN and the EAS.

### **c. The Inclusion of Myanmar in the Process of Free Trade Negotiations**

Myanmar achieved its independence from the UK in 1948. It has been ruled by a military dictatorship since 1962. In 1988, there was a coup carried out by the military. The military formed the State Law and Order Restoration Council (SLORC) which is known currently as the State Peace and Development Council (SPDC). SPDC is the highest policy and decision-making institution in Myanmar. In May 1990, SLORC had a general election. The National League for Democracy (NLD), led by Suu Kyi, won most of votes in this election. It achieved 82 % of the seats in the Burmese Parliament. However, the military regime did not give its power to her and the NLD. The military regime arrested Suu Kyi and her followers. The regime implemented an authoritarian government such as forced labour; extra judicial killing; and human rights violations against minority ethnic groups (Karen, Rohingya and Shan populations) (European Commission, 2007f:5).

The international community called upon the military regime to release Suu Kyi and its political prisoners. It requested that the military regime demonstrate an appreciation of human rights. The military regime has not listened to the concerns and pressures of the international community. The EU and the USA have not recognized the military regime as the legitimate government of Myanmar. They have applied political and economic sanctions to the military regime.

Since 1990, the EU has imposed on the military regime its sanctions such as the embargo on weapons; the suspension of security and defence ties; the embargo on development assistance except for the case of humanitarian aid; the restriction on

immigration for elites and government officials and their families coming to the EU; and the suspension of EU official visits to Myanmar. All these sanctions were included in the Council common position on Myanmar No. 96/635/CFSP on 28 October 1996. The EU revised its common position on Myanmar by extending its sanctions from 1996 to 2003. The Council released its common position No. 2003/297/CFSP on 28 April 2003 (Council of the EU, 2003c:36-42) which added arms embargo and related instruments; an assets freeze; a visa ban for military elites in the SPDC; suspension of GSP; and cancellation of EBA initiatives.

The military regime released a road map for democracy in August 2003 in order to respond to the pressure by the international community because of its detention of Suu Kyi (Abbugao, 2004:1). On 17 May 2004, the military regime announced its plan to resume the National Convention in order to form a new constitution and prepare for political reform in Myanmar. However, the SPDC failed to involve Suu Kyi and the NLD. The SPDC controlled the process of formulation for a road map which aimed to reconcile all political factions. The military regime established the National Convention in 1993. The military regime controlled the entire political process and all negotiations inside the Convention. Consequently, the NLD withdrew from the Convention in 1996 (European Commission, 2010c:1).

In October 2004, the EU revised its position on Myanmar by giving permission to help that country but only with humanitarian aid (European Commission, 2010c:4). The EU has given its assistance through the European Community Humanitarian Office via the UN agencies, NGOs and local institutions. The EU has provided its development assistance for Myanmar with the amount totaling € 174 million since 1996 (Europa, 2012a:1). The development assistance has focused on health and education (European Commission, 2007f:3). The EU disagrees that the military regime uses its development assistance to strengthen its defence capacity (Ibid, p.20).

After the human rights violations against demonstrators in October 2007, the EU strengthened its Council common position No. 2007/248/CFSP on 19 November 2007 to apply more sanctions to the military regime. The EU banned the EU investors from having business in mining; precious stones; and the logging trade in Myanmar (Europe, 2007e:5). It rejected exports and imports of instruments used in

the logging and mining industries to/from Myanmar (European Commission, 2007g:1). The EU adjusted its common position No. 2009/615/CFSP with more restrictive measures against the military regime after the human rights violations against Suu Kyi and her fundamental rights. It applied a travel ban to the EU on a list of key persons in the military regime and froze their assets to take effect from 13 August 2009 (Council of the EU, 2009b:1).

On 13 November 2010, the military regime released Suu Kyi from home detention. She had served 15 of the 21 years of her detention period (BBC, 2010:1). In April 2011, the Council of the EU (2011b:1-2) released its objection to the political situation in Myanmar and based its criticism on some crucial points. These were: firstly, the result of the last 2010 election was not free and fair based on international standards. Secondly, the Council called on Myanmar's new government to implement a peaceful transition to democracy and to appreciate human rights. Thirdly, it called on the Myanmar government to establish an inclusive dialogue with the opposition and all stakeholders in Myanmar. Fourthly, it preserved political and economic sanctions. Finally, the EU was ready to have a dialogue with the government and all opposition parties in Myanmar and with ASEAN. Since late in 2011, the Myanmar government has taken steps toward political reform. In April 2012, it allowed Suu Kyi and the NLD to participate in by-elections and win seats in the Myanmar Parliament. In response, in April 2012, the EU suspended all sanctions against Myanmar but excluded the arms embargo. Chapter 7 illustrates current developments in Myanmar.

However, it must be noted that the EU imposed political, economic and arms embargo on Myanmar before April 2012. The complicated relationship between the EU and Myanmar affected the EU-ASEAN relationship, for example in free trade negotiations between the two regions.

#### **d. The Implications of this Situation for the Development of the EU Policy on ASEAN and EU FTA**

At the multilateral level, a deadlock of the WTO's Doha round negotiations can be seen as both a pressure and an opportunity for the EU to respond to a change in world economic governance. The main consequences, caused by the above situation are: firstly, many countries/regions shifted their trade policy from multilateral to

bilateral/inter-regional approaches by negotiating economic partnership with other countries/regions. Their trade policies shifted to benefit from economic opportunities resulting from the stagnation within the multilateral trading framework. Secondly, within a FTA, countries/regions employed a selected protectionist policy based on special measures such as antidumping regulations and selected market liberalization. Thirdly, the WTO's role is weakened owing to the emergence of bilateral and inter-regional trade initiatives. WTO member states will lose their trust in the role of the WTO as a multilateral trading institution (Chandra *et al*, 2010:1 and UNCTAD, 2010:ix).

In the early years of the Doha Round negotiations, the EU focussed on the WTO DDA. The EU is a main promoter of the multilateral approach. However, there was no significant progress in the Doha Round negotiations. There was a deadlock between developed and developing countries with regard to agricultural subsidies; market access; non-tariff barriers; trade on services; and protectionism. Therefore, the number of PTAs improved from 70 agreements in 1990 to 300 agreements in 2010. The proliferation of PTAs focused not only on the regionally based agreements but, also, in the last decade, was developing a cross regionally based agreement (WTO, 2011:6). According to a WTO official, it was true that, if there were difficulties in finding a balance between developed and developing countries, then, the multilateral system could not deliver new economic integration. There was a tendency for that since (PTAs/inter-regionalism) might be easier, but again not entirely but definitely easier. However, to some extent, this can be bigger in the short term.<sup>180</sup>

The EU started to consider an alternative way to build trade relationships with other countries/regions. Commission official E emphasized that: "For many years the EU had focused on the WTO and agenda Doha Round. There was no bilateral initiative with any other country. It was all multilateral. When we realized that the Doha Round was not likely to move forward in the short term. We started to look around and see which who would be suitable bilateral partners in order to negotiate a bilateral agreement".<sup>181</sup>

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<sup>180</sup> Q&A session and interview with WTO official, UK, June 2012.

<sup>181</sup> Interview with Commission official E, 2010.

Commission official A agreed that deadlock in the WTO's Doha Round negotiations shifted the approach of EU's trade policy from a multilateral to a bilateral/inter-regional approach. This person expressed the view that: "We always consider the WTO and DDA negotiation to be the best way to go international. But there has been a shift [...], we actively continued with bilateral and regional discussions because of the deadlock in DDA round and so there is new emerging of other FTA negotiations between regions and countries".<sup>182</sup>

An official from the Netherlands admitted that: "The deadlock in the WTO Doha Development Round always played a role in our agreement. I know that pressures like this do have an influence, for example: ASEAN negotiated regional trade agreements with its partners in Asia. We see that it is possible. We do not want be left behind".<sup>183</sup>

At the regional level, ASEAN plays the role of focal point in order to create a balance of regional cooperation within East Asia. This situation constitutes both an external pressure and an opportunity for the EU to engage with South-East Asia specifically and with East Asia in general. The EU needs a focal point to connect and bridge in its relationship with East Asian countries. The EU understands that East Asia is one of the fastest growing areas around the globe because of its emerging economic production and activities. East Asia must be a stable and peaceful area through supporting its growing market (Council of the EU, 2007k:1-2).

ASEAN's role, within the East Asia region, is crucial to creating a cooperative situation within this region. China, South Korea and Japan can sit and work together to achieve the common goal of the East Asia cooperation with ASEAN as a central player. They have a complex historical background and sensitive border disputes to contend with. There are disagreements between them with regard to Japan's reconstruction of its colonial history in China and South Korea. The Japanese Government tends to gloss over its war crimes in its two neighbouring countries (Stubbs, 2002:452) and, in history textbooks, to conceal them from the younger generation. Additionally, South Korea, Japan and China have territorial disputes with regard to some islands on their borders (Ibid, p.454).

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<sup>182</sup> Interview with Commission official A, 2011.

<sup>183</sup> Interview with national official, the Netherlands, 2011.

With all of this in mind, the EU has developed good relationships with ASEAN and other economic powers, in Asia, such as China, South Korea and Japan. The EAS is a strategic political and economic forum in the East Asia region. ASEAN is the driving factor in this regionalism process and holds a crucial role in providing a balance in this region. Through the EAS, ASEAN has shaped and influenced the development of East Asia cooperation. Within East Asia, the EAS strengthens and complements the existing regional co-operations, such as the ASEAN+3, the ARF and APEC. The EAS may become an umbrella for a multilayered regional framework with ASEAN as a central point in this initiative. It has surpassed the importance of APEC in the Asia-Pacific region because APEC focuses only on economic issues and its membership does not include all ASEAN countries.<sup>184</sup> The ARF focuses only on security issues in the Asia-Pacific region. The EAS covers political, security and economic issues concerning the East Asia region and global affairs involving important countries within the region. ASEAN's role, in the EAS, is central to containing China's domination within the region by including her in this regional initiative. The EU wants to ensure that China will be seen to rise peacefully as a regional actor in the East Asia region (UK Parliament, 2010:1). It has pursued ASEAN as a counterweight to China's role and influence in the region.

The EU considered many significant areas of development, which emerged in East Asia, such as in economic welfare; the geo-political situation; and in socio-cultural activities. The EU believes that it needs to be linked more closely with South-East Asia and East Asia because East Asia cooperation has deepened. Solana stated that: "The EU has a real stake in East Asian regional security and can play a useful role. I hope that this can be reflected in due course by a place at the Summit table" (Falletti, 2006e:13).

In order to join EAS, the EU needs political approval from ASEAN and to enhance its economic cooperation with ASEAN. In order to gain ASEAN's political approval, the EU acceded to the Treaty of Amity and Cooperation (TAC) on 12 July 2012 as a precondition for membership of the EAS (Council of the EU, 2012a:1). It would strengthen the EU's political relationship with ASEAN (Indonesian Ministry of Foreign Affairs, 2011a:1). The EU took almost 6 years (Council of the EU,

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<sup>184</sup> Interview with Dhannan Sunoto, E-mail, 25 December 2011.

2012a:1) to obtain the Council's authorization to join ASEAN's TAC because of the complexity of the legislative mechanism (Falletti, 2009:14). It waited all Parties, in ASEAN, to ratify the Third Protocol Amending the TAC in order to allow regional organizations to accede to TAC (Council of the EU, 2012a:1). Then, an ASEAN-EU FTA is an initiative to develop substantive economic engagements between the EU and ASEAN and the East Asia region. Therefore, the EU wanted to have a FTA with ASEAN.

According to the research data, Commission officials A and E confirmed that ASEAN's role has been crucial in the EAS specifically and in the East Asian region in general.<sup>185</sup> Commission official A stated that: "There are many aspects, the other one is the EAS. The role of ASEAN is very important in this thing. In order to join in this Community you have to join the TAC, I think the EU is working to join the TAC [...]. The EU is very interested in that. There is a clearly movement and a dynamic to have a closer linkage in many areas with ASEAN".<sup>186</sup> An official from the Netherlands added that "ASEAN is becoming more important in the region because it employs many initiatives, ASEAN+1, ASEAN+2 and ASEAN+3 and the EAS. We see all that evolving, we want to be part of it as well. We are always acknowledging the importance of this".<sup>187</sup>

The shift in economic activities from the West to the emerging nations of Asia (Gray, 2012) has been a trajectory for the EU to benefit from that situation. However, the EU was left behind by other countries which established FTAs with ASEAN and joined in the EAS. Commission official A and an official from the Netherlands admitted that the EU felt somewhat left behind in its involvement in the EAS.<sup>188</sup> An official from the Netherlands emphasized further that there were difficulties for the EU when responding to developments in ASEAN's regional initiatives particularly with the EAS and to justify the relevancy of the EU to these developments. This person stated that: "We have a feeling that we are very relevant but we are finding it very difficult to convince ASEAN and individual ASEAN countries that we are also

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<sup>185</sup> Interview with Commission officials A and E, 2010.

<sup>186</sup> Interview with Commission official A, 2010.

<sup>187</sup> Interview with national official, the Netherlands, 2011.

<sup>188</sup> Interview with Commission official A, 2010 and national official, the Netherlands, 2011.

more than just an economic player. [...] Now especially with the EAS, it is a very sensitive issue”.<sup>189</sup>

Developments at the multilateral and regional levels have combined to affect the development of the EU’s trade policy towards ASEAN. At the same time, the EU and ASEAN have had a crucial disagreement with regard to the inclusion of Myanmar in their free trade negotiations which affected the process of their negotiations at the bilateral level. On the one hand, the EU disagreed with including Myanmar in the negotiation process for a FTA with ASEAN. There were political and, subsequently, economic reasons why the EU rejected Myanmar from being included in the ASEAN and EU free trade negotiations. The political reasons were that Myanmar had a long track record of human rights violations and had employed an authoritarian regime to rule its people. These situations led the EU to implement political and economic sanctions against Myanmar. Consequently, Myanmar was not included in the EU’s negotiation mandate for free trade with ASEAN. In turn, this had economic implications.

On the other hand, ASEAN insisted on including Myanmar in the negotiation process for free trade with the EU. The main reasons were ASEAN wanted to be treated by the EU as a group which meant including Myanmar as part of the ASEAN group. ASEAN persuaded the EU that ASEAN had applied an approach of constructive engagement in encouraging Myanmar to implement political reform and appreciate its people’s human rights. Commission official A argued that: “Myanmar, this is a more political way [...]. Myanmar was allowed to be there, but we were not actually negotiating with Myanmar directly. That was a somewhat complicating factor with regard to the issues of Myanmar”.<sup>190</sup>

This obstacle was a source of tension between the EU and ASEAN when, in 2007, they started their trade negotiations. To some extent, the EU accommodated the external pressure from ASEAN for the inclusion of Myanmar in the trade negotiations. The EU allowed Myanmar a seat at the negotiating table together with other ASEAN countries. However, the EU would not sign a final FTA with ASEAN, if, still, Myanmar were included in the group of ASEAN countries. ASEAN

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<sup>189</sup> Interview with national official, the Netherlands, 2011.

<sup>190</sup> Interview with Commission official A, 2010.



maintained its position that Myanmar should be treated as a member of ASEAN. The EU had to incorporate Myanmar when it dealt with ASEAN.

Commission official E stated that: “With regard to the authorization for negotiation from the Council, the permission was only granted the negotiation with 7 out 10 ASEAN countries. Myanmar, Laos and Cambodia were not included in the authorization to negotiate”.<sup>191</sup> This person stated that “the EU could not sign an agreement with Myanmar, so at the end of the day the political clash at the signing ceremony was over whether Myanmar could sign the deal or not. We could not politically sign the deal with Myanmar because we were not authorized to go for negotiations and deal with Myanmar”.<sup>192</sup>

The EU member states have similar views on the complex relationship between Myanmar, FTA and ASEAN. An official from Germany argued that: “Germany and the EU were strongly in favour of ASEAN approaching Myanmar [...]. The German government is very supportive on constructive engagement and the promotion of values in the case of Myanmar”.<sup>193</sup> An official from the Netherlands added that “the role of Myanmar being a part of ASEAN and having free trade there play a very important part in our decision and our focus, not to include Myanmar and at the same time have this comprehensive relationship”.<sup>194</sup>

An official from the UK argued that:

In the view of the British government, we think that the Burmese people have been suffering for a long time under the military regime. There are over 2,000 political prisoners there including a number of political links to the UK because the UK was the colonial power. You have more involvement in the country politically and economically. We just think it is time the Burmese government joined the 21<sup>st</sup> century and allowed these people to live in freedom [...]. We would like to see ASEAN apply more pressure on fellow member of the ASEAN family.<sup>195</sup>

In considering the ASEAN side, there were differences between policy makers, within ASEAN, when they were responding to the ASEAN and EU free trade negotiations. Gusmardi Bustami, the Trade Ministry Official from Indonesia, stated that: “We actually had a deal with the EU in the past to have a free trade-like

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<sup>191</sup> Interview with Commission official E, 2010.

<sup>192</sup> Ibid.

<sup>193</sup> Interview with national official, Germany, 2010.

<sup>194</sup> Interview with national official, the Netherlands, 2011.

<sup>195</sup> Interview with national official, the UK, 2010.

agreement. But this cannot continue- not because of economic issues, but because of a political one. That is why we must agree to take a pause for the time being” (Adamrah, 2011:1). When ASEAN met with the EU in the trade negotiations, an official from an ASEAN country explained that there was a political problem regarding Myanmar and that this was an obstacle in the creation of an ASEAN-EU FTA.<sup>196</sup>

However, the ASEAN Secretariat official B explained that some difficulties in the trade negotiations between the two regions were not political but they were technical. This person argued that “the FTA is still on hold at the moment. We hope that [...] they will find a way to move forward again although there are difficulties at the technical level. [...] The recession is not a political difficulty, it is a technical difficulty”.<sup>197</sup>

Despite this difference, the ASEAN Secretariat official B<sup>198</sup> and another official from one of ASEAN countries<sup>199</sup> argued that the EU and ASEAN were considering their future FTA. However, within the process of trade negotiations, there were differences between them. They hoped that a FTA could be established region-to-region or region-to-country as long as there was a consistency between both parties.

In the development of this EU policy, the EU promoted the economic interests of its member states and also of the business communities in order to respond to the economic opportunities in East Asia and, thereby, recognize the significant role of ASEAN in the East Asia cooperation. The EU was under pressure owing to a deadlock in the WTO Doha negotiations which led to a shift in its trade strategy from a multilateral approach to a bilateral/inter-regional approach. However, the inclusion of Myanmar in the ASEAN-EU free trade negotiations created a tension which led to the risk of failure in the negotiations. The EU’s value to ASEAN conflicted with the EU’s external pressures and opportunities. The EU demanded that ASEAN exclude Myanmar from their free trade talks. ASEAN wanted the EU to incorporate

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<sup>196</sup> Interview with national official, ASEAN country A, telephone, 10 February 2012.

<sup>197</sup> Interview with official B, the ASEAN Secretariat, Jakarta, 15 July 2009.

<sup>198</sup> Ibid.

<sup>199</sup> Interview with national official, ASEAN country A, Jakarta and telephone, 7 July 2009 and 10 February 2012.

Myanmar as a part of ASEAN. They failed to solve their differences and to conclude a policy.

There are external pressures and opportunities at the multilateral, regional and bilateral levels which have influenced the development of the EU's policy and, also, the negotiation process for a FTA with ASEAN. These pressures and opportunities led EU policy makers, to take them into account when they developed and implemented the EU's negotiating mandate toward ASEAN. The EU should consider these pressures and opportunities carefully in meeting with its political and economic objectives. This assessment explained the external pressures and opportunities in the EU's policy making towards ASEAN and in the free trade negotiations with ASEAN which, in turn, affected the way in which the EU dealt with ASEAN. The EU and ASEAN would not be able to solve their tensions and transform them into inter-regional cooperation. This led to a pause in their trade negotiations.

#### **6.4. Conclusion**

The EU's policy development for an ASEAN–EU FTA was influenced by relevant factors. These were: firstly, the Commission and the Council were the relevant actors; the first as the initiator and the second as the decision maker in this trade policy. They had competence in the development of the EU's trade policy toward ASEAN and in the negotiations with ASEAN. The European Parliament, the business communities and the NGOs were involved in the Commission's consultation process with regard to the draft of EU's position paper. The institutional arrangement of (and legal basis for) this trade policy provided flexibility for the Commission to include, with the Council's approval, a non-economic element (ie. sustainable development) in the negotiating mandate which exceeded the Community's power. The Council would act unanimously on creating a legal relationship between trade provisions and the PCA when the EU and ASEAN concluded their negotiations. The institutional arrangement provided a framework for the Commission and the Council to discuss their political and economic agendas and select a suitable approach to pursue ASEAN on that matter. To some extent, there was dissension, within the EU, between relevant (the Council and Commission with support from business communities) and related actors (the Parliament and NGOs)

regarding the EU's aggressive approach over an ASEAN-EU FTA. This situation reduced the EU's capacity to form a more unitary position in the development of this EU policy.

Secondly, the Commission and the EU member states had promoted their economic interests. The UK, Germany, France and the Netherlands had shown their interest in developing a FTA with ASEAN because they were significant traders and investors in South-East Asia. In engaging with ASEAN, the Council affirmed its economic interests. The economic interests of key member states affected the EU's negotiating mandate for an ASEAN-EU FTA. The EU business communities, the European Parliament and NGOs persuaded the Commission to promote their economic, social and developmental interests in an ASEAN-EU FTA. It was the economic interests of the EU member states and the Commission which influenced the development of the EU's trade policy toward ASEAN rather than common EU values (complementary elements). The reasons for this were: firstly, the key EU member states asked the Commission to deal with ASEAN in order to gain market access for and to eliminate barriers against European business. Secondly, the Commission concentrated more on realizing a region-to-region ASEAN-EU FTA rather than a PCA with an individual ASEAN country. Thirdly, it gave more access to the business communities to shape an ASEAN-EU FTA.

Thirdly, the EU employed consultation and negotiation mechanisms as its modes of engagement when it developed the EU's negotiating mandate and negotiated it with ASEAN. The application of a negotiation mechanism supported the EU in advocating its economic provisions; in speeding up the actualization of a FTA with ASEAN; and in excluding Lao PDR, Cambodia (least developed countries) and Myanmar (human rights violations) from an ASEAN-EU FTA. However, ASEAN responded by requesting more time to explore the economic provisions in a FTA and asked for the involvement of all ASEAN countries in their negotiations. They could not reach any compromises on their differences and put on hold their negotiations. Clearly, the EU was not flexible enough to handle ASEAN in their negotiations. ASEAN was quite flexible and focused on a more informal way to deal with the EU as seen in their consultation and negotiation processes. This would

be a challenge for both parties when they applied problem-solving or bargaining methods to find solutions to their differences.

Fourthly, the regional integration within ASEAN was an ongoing process since the EU first developed its policy for an ASEAN–EU FTA. When the EU developed its policy and negotiated free trade with ASEAN, there were differences in economic ambitions. On the one hand, the EU offered a comprehensive FTA to ASEAN. The EU believed that a FTA based on an inter-regional approach could assist and foster ASEAN regional integration. On the other hand, ASEAN did not want to continue to adopt a comprehensive FTA because it had still to develop its economic competence. ASEAN wanted a selective FTA. There was a risk that the policy would fail because of the above tension. The EU would like to support the realization of the AEC in 2015 as a part of its objective to use a region-to-region approach for an ASEAN–EU FTA. An integrated ASEAN would help the EU to cement its above objective. ASEAN’s regional integration affected increasingly the EU’s policy development.

Fifthly, a deadlock in the WTO Doha Round negotiations; ASEAN’s crucial role in the EAS; and the inclusion of Myanmar in the ASEAN and EU free trade negotiations were the external pressures and opportunities for the EU which influenced its policy development leading up to an ASEAN–EU FTA. At the multilateral level, the stagnation in the WTO Doha Round negotiations obliged the EU to pursue its objective with ASEAN through a FTA. This situation created an opportunity for the EU to seek an additional means of economic cooperation with ASEAN. At the regional level, ASEAN’s crucial role, in the EAS, could be viewed by the EU as both a pressure and an opportunity. The EU viewed ASEAN as a possible counter-balance to China’s growing political and economic influence in East Asia. It was a good opportunity for the EU to be engaged with ASEAN in order to strengthen its political and economic connection with East Asia. At the bilateral level, the delicate relationship between the EU and Myanmar created a tension between the EU and ASEAN. The EU rejected the participation of Myanmar in the trade negotiations with ASEAN. However, ASEAN insisted on including Myanmar in the negotiations. These above situations impacted on the development of the EU’s trade policy toward ASEAN and affected, also, the trade negotiations between both

parties. In the end, the two regions were unable to reconcile their differences which meant that the outcome was a failure to establish a policy.

I assessed the relevant factors which affected the development of this EU policy. In the next chapter, I draw final conclusions from the explanations of the three case studies. A number of factors have come to explain several developments in the EU's policy with respect to ASEAN. I hope that my provisional conceptual framework provides a comprehensive model in explaining the development of the EU's policy towards ASEAN.

## CHAPTER 7

### MAIN FINDINGS AND CONCLUSION

#### 7.1. Introduction

In the last decade, the world of inter-regionalism has evolved for three reasons. Firstly, the system of global governance has changed with a proliferation of global and regional cooperation involving most regional organizations. Secondly, the scope of issues, covered under inter-regional cooperation, has expanded tremendously as the political, economic and socio-cultural spheres have become more interconnected in an integrated world. Thirdly, there has been slow progress in the WTO Doha Round negotiations. These developments have led to the question as to why one region cooperates with another region or several other regions. However, the scholarly literature did little to explain the policies of one regional organization in their dealings with another regional organization. The research approach, which I employed in this thesis, was inductive theory building from cases. In this thesis, the case studies aimed to analyze the relevant factors which explain the development of the EU's policy towards ASEAN. I collected my data from documents and interviews with representatives of EU institutions, EU member states, non-state actors and ASEAN which were all involved in the development of this EU policy and the interactions between the two regions.

In this thesis, I examined the matters which explained the EU's policy towards ASEAN. In order to address the gaps in the existing literature (see Chapter 2), I assessed how, when and, to what extent, internal factors, within the EU, and external factors, from ASEAN or outside of the EU, influenced the development of the EU's policy towards ASEAN and had implications for the inter-regional relationship between the two regions. More specifically, I highlighted the importance of internal and external factors. I explored the relationship between internal and external factors and correlated this relationship to the success or failure of the development of the EU's policy towards ASEAN. I connected this correlation to the inter-regional trend of increasing interdependence between the EU and ASEAN, which makes external factors more significant and should lead the EU to seek to achieve greater cooperation between internal and external factors in their policy-making. I illustrated

the contribution of this thesis to the study of the external relations of the EU; the study of inter-regionalism; and to the field of IR.

This chapter is divided into six sections. The next section highlights the main findings relating to internal and external factors from cases and their level of importance in the development of the EU's policy towards ASEAN. The third section synthesizes the main findings and the interactions between factors from three cases in establishing expected patterns of behaviours as a comprehensive conceptual framework for the development of EU policies toward ASEAN. The fourth section highlights the general trends in and the implication for inter-regionalism between the two regions. The fifth section deals with the theoretical contributions and policy implications which can be derived from the conceptual framework of the above mentioned studies. This section, in addition to indicating this thesis' challenges provides, also, possible research areas with regard to the strengthening of a conceptual framework and identifies routes for further studies on inter-regionalism research. The final section is the conclusion.

## **7.2. Main Findings of Internal and External Factors from Cases**

This section provides the findings of the relevant factors for each of the cases from the three main policy areas covered by the study. In Chapters 4, 5 and 6, each conclusion demonstrates my findings that the following contributed to the development of the EU's policy towards ASEAN:

- the relevant actors, within the various institutional arrangements;
- the promotion of EU interests and values;
- the modes of engagement;
- the level of integration within ASEAN; and
- the external pressures and opportunities from ASEAN and outside the EU.

These matter because they have affected the EU's policy towards ASEAN. Table 7.1 provides these findings.



**Table 7.1**  
**The Relevant Factors Explaining the EU's Policy Development towards ASEAN**

<b>EU's Policies</b>	<b>Factors</b>				
	<b>Relevant Actors</b>	<b>Promotion of Interests or Values</b>	<b>Modes of Engagement</b>	<b>Level of Integration within ASEAN</b>	<b>External Pressures &amp; Opportunities</b>
1. A New Partnership with South-East Asia	<p>The Commission was an initiator and coordinator of this policy. The Commission consulted with the Parliament on this policy before it would be decided by the Council.</p> <p>The Community Pillar.</p> <p>Legal basis of institutional arrangement: Articles 181, 181a and 300 in the TEC.</p> <p>Cooperative bases:</p> <p>1. The 2001 EU's Asia Comprehensive Strategy.</p> <p>2. The 1980 EEC-ASEAN Cooperation Agreement.</p> <p>Legal foundation: Council Regulation No 443/92 on the ALA programme.</p>	<p>The collective economic interests of the EU member states and the Commission.</p> <p>To some extent, the Commission promoted common EU values.</p>	<p>A minimum consultation mechanism.</p>	<p>The level of ASEAN's regional economic integration was low. ASEAN still focused on the implementation of AFTA.</p>	<p>The emergence of bilateral and regional trade initiatives in the South-East Asia region. This situation was caused by the USA's greater involvement and by the rise of China in this region.</p>
2. The EU policy in Aceh	<p>The Council and the EU member states were relevant actors.</p> <p>CFSP Pillar</p> <p>Legal basis of institutional arrangement: 1992 Maastricht Treaty on Title V.</p> <p>Legal foundation: The Council Joint Action 2005/634/CFSP on the AMM</p>	<p>The politico-security interests of EU member states and the EU's profile in South-East Asia. The Commission added humanitarian values.</p>	<p>Consultation and pro-active monitoring mechanisms</p>	<p>The level of ASEAN's political and security integration was less robust because ASEAN was preparing the APSC. The EU needed the involvement of ASEAN to give legitimacy for the AMM.</p>	<p>1. The readiness and willingness of Gol and FAM to solve their conflict and the absence of the UN in the peace process.</p> <p>2. Some concerns of Gol were the internationalization of Aceh issue</p>

3. An ASEAN-EU FTA	<p>The Commission was a policy initiator. The Council was a decision maker for a negotiating directive for an ASEAN-EU FTA.</p> <p>The Community Pillar Legal basis of institutional arrangement: The TEC (1992 Maastricht Treaty on Article 113, 1998 Amsterdam Treaty and 2001 Nice Treaty on Article 133).</p>	The economic interests of the EU member states and the Commission. Common EU values were complementary element.	Consultation and negotiation mechanisms	Regional integration within ASEAN was still in progress at that time particularly in the development of AEC. It had been considered by the EU to include in its support for an AEC.	<p>and the interference to domestic issue.</p> <ol style="list-style-type: none"> <li>1. The deadlock of the WTO Doha Round negotiations.</li> <li>2. ASEAN's significant role in East Asia.</li> <li>3. The inclusion of Myanmar in the ASEAN-EU trade negotiations.</li> </ol>
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My findings spell out which relevant factors were more and which were less significant in the development of the EU's policy towards ASEAN. I proposed an ordinal category for the relevant factors. It is possible to define the significant, considerable, less significant and insignificant factors in the development of the EU's policy. Qualitatively, to demonstrate their level of importance, these factors were analyzed based on a combination of interview data and documentary analyses. All interviewees were asked to rank, based on priority, each of the factors as significant or considerable or less significant and insignificant. They were told that a significant factor should be substantially influential in the development of the EU's policy towards ASEAN. Further discussion with interviewees revealed that they considered a significant factor to be a primary element in the development of the EU policy. Consequently, for the purpose of this study, a significant factor was defined as being substantially influential and a primary element in the development of the EU's policy towards ASEAN. A similar process was undertaken with the interviewees to define considerable, less significant and insignificant. Consequently, the considerable factor was moderately influential and a complementary element in the development of EU policy. It gave concrete effect to and made complete the development of the EU policy. The less significant factor was less influential and had minimal effect in the development of the EU policy. The insignificant factor had no influence and, therefore, it was not considered to be an element in the development of the EU policy towards ASEAN.

The relevant factors were observed using a nominal measurement based on the above categories. Out of 28 interviewees, who were consulted in this study, Table 7.2, on the next page, included 19 interviewees who addressed the level of importance with regard to internal and external factors. In order to present interview results, every response was given points on a four point scale with four being the most significant category. For example, a significant factor received 4 points; a considerable factor received 3 points; a less significant factor received 2 points and an insignificant factor received 1 point. Within cases, points of response, on each factor, were grouped into their categories and based on plurality. It meant that if one of these categories received the highest result from interview, it would receive the highest plurality. I accumulated points of response for each factor and, then, divided

them by the number of frequencies of response in order, within cases, to obtain an average point for each factor. I presented these average points in bar charts for every case. I gathered all average points, within cases, into an overall bar chart. Within cases, these charts demonstrated the level of importance of these factors. Within cases, I focused my interpretation and analyses based on the combination of the average point and the most favourable plurality.

**Table 7.2**  
**The Level of Importance of Relevant Factors in the EU's Policy Development towards ASEAN**

Interviewees	The EU's Policy Development											
	A New Partnership with South-East Asia (Case 1)						EU policy on Aceh (Case 2)					
	RA	PIV	ME	LI	EPO		RA	PIV	ME	LI	EPO	
<b>The EU</b>												
Commission Official A	S	S	C	L	S							
Commission Official B	S	S	L	L	S		S	S	C	S	S	S
Commission Official C							S	S				
Commission Official E												
Commission Official F												
Council Official A												
Council Official B	S	S	C	L	S		S	S	C	L	S	
Mr. Bendini (EP Official)												
Official from the UK							S	S	S	L	S	
Official from Germany												
Official from the NL												
Mr. Kerneis (Business Europe)												
Mr. Maes (Brussel to Seattle Network)												
Mr. Vanslambrouck (11.11.11)												
<b>ASEAN</b>												
Mr. Sunoto (former ASEAN Official)			L	L	S							
ASEAN Official A												
Mr. Awaludin (former Indonesian Official)												

Interviewees	The EU's Policy Development														
	Case 1					Case 2					Case 3				
	R A	P I V	ME	LI	EPO	R A	P I V	ME	LI	EPO	R A	P I V	ME	LI	EPO
Official from an ASEAN country													S	S	S
Charles Santiago (ASEAN Parliamentarian)													L	S	S
Frequencies of response	3	3	4	4	4	4	4	5	5	5	10	10	13	13	13
Points of response	S (4 points)	12	12		16	16	16	8	4	16	36	40	20	36	48
	C (3 points)			6				9		3	3		15	6	3
	L (2 points)			4					8				6	4	
	I (1 point)														
Total points of response are divided by frequencies of response	12/3	12/3	10/4	8/4	16/4	16/4	16/4	17/5	12/5	19/5	39/10	40/10	41/13	46/13	51/13
Average points/level of importance	4	4	2.5	2	4	4	4	3.4	2.4	3.8	3.9	4	3.15	3.54	3.92
Total points for group of factors	S (RA+PIV+EPO)= Case 1 (12+12+16= 40) + Case 2 (16+16+16= 48) + Case 3 (36+40+48= 124) = 212 C (ME) = Case 1 (6) + Case 2 (9) + Case 3 (15) = 30 L (LI) = Case 1 (8) + Case 2 (8) + Case 3 (4) = 20 I = 0														

Notes:

S: Significant, C: Considerable, L: Less significant & I: Insignificant

RA: relevant actors.

PIV: promotion of interests/values.

ME: modes of engagement.

LI: level of integration.

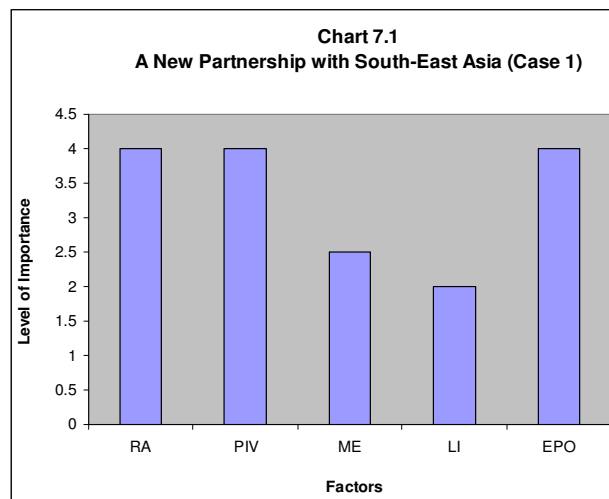
EPO: external pressures and opportunities.

The cases provided evidence of the variation in importance of relevant factors by combining the interview results (see Table 7.2 and Charts 7.1-7.4) with documentary analyses (see below and the previous chapters).

In the case of a New Partnership with South-East Asia (see Chart 7.1), I argue that the possible internal and external factors, which influenced the development of this EU policy most significantly, were such as the relevant actors (4); the promotion of economic/political interests and common EU values (4); and the external pressure/opportunity (4). The reasons as to why these factors were significant are as follows: firstly, the emergence of bilateral and regional trade initiatives in the South-East Asia region, brought about by the greater involvement of the USA and China in the region, was the external pressure and opportunity for the EU (Council of the EU, 2004:4). Secondly, in order to respond to this situation, the Commission raised the need with the Council for the EU to create a new partnership with ASEAN. This need was affected by the necessity for the EU member states (particularly the UK, Germany, France and the Netherlands) to ensure market access for their export to and import from the South-East Asia region and to provide security for their investments in the region. Additionally, the legal basis of this EU policy (the Council Regulation No 443/92) required the Commission and the Council to promote human rights and democracy in South-East Asia (EUR-Lex, 1992a:1). The institutional arrangement shaped (Wallace, 2010:62) the decisions of relevant actors and influenced them to promote common EU values to ASEAN. It facilitated the Commission and the Council to respond to the external pressure and opportunity and combine the EU's interests and values into a new partnership with ASEAN. Thirdly, therefore, the Commission's promotion of collective economic interests, particularly the economic interests of key EU member states, drove the development of this EU policy. The EU included, also, in this policy, its common values as 'essential elements'.

The less significant factors were the mode of engagement (2.5) and the level of integration within ASEAN (2) for two reasons. These were: firstly, at the consultative stage of this EU policy, the EU employed a minimum consultation mechanism to engage with ASEAN. However, it informed ASEAN only at the finalization stage about the completion of this policy. Secondly, ASEAN countries

signed and adopted the ASEAN Community only as the main foundation of its regional integration (ASEAN Secretariat, 2003f:1). There was no insignificant factor in the development of this EU policy.

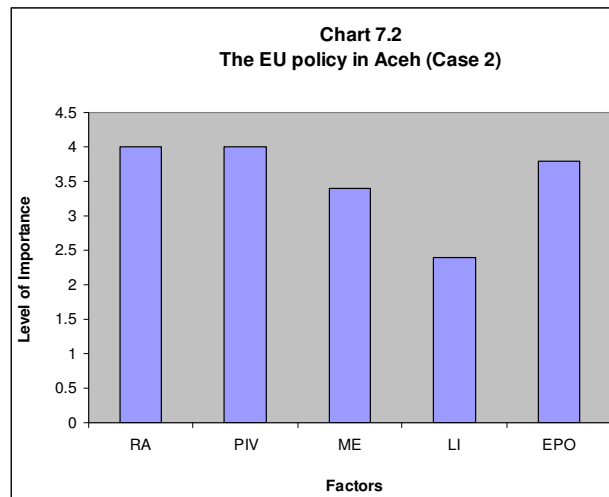


In the case of the EU's policy on Aceh (see Chart 7.2), I argue that the relevant actors (4); the promotion of both politico-security interests of the EU member states and the Council of Ministers (4); and the external opportunity and concerns (3.8) were significant internal and external factors which affected directly the development of this EU policy. The reasons as to why they were significant are as follows: firstly, the readiness of GoI and FAM to conclude and implement a peace agreement and the absence of the UN in this peace process became opportunities for the EU to advance the EU's presence in the region (Council of the EU, 2006e:2-3). In order to build confidence between both parties, the EU dealt carefully with GoI's external concerns regarding the external interference in Indonesian affairs and the internationalization of the issue of Aceh. Secondly, the Council of Ministers and the EU member states were key players and fully in charge of the development of this EU policy (Council of the EU, 2005e:6-10 and 2007g:3&7). The UK, the Netherlands, Belgium, Ireland, and several Nordic countries persuaded actively other EU member states of the importance for the EU to act together in order to respond to this opportunity in an effective way. Ahtisaari (the CMI) had an intervening role together with Solana who convinced the EU member states to support this EU policy. Therefore, the EU could work together with ASEAN, Norway and Switzerland and GoI and FAM in the creation of AMM. Additionally, the institutional arrangement facilitated the Council



and the Commission in having administrative and political debates (Bindi and Shapiro, 2010:343) regarding the legal basis for financing and conducting the EU's mission in Aceh. It provided several schemes, for financing the mission, such as the ALA/RRM programmes or the CFSP budget which had implications for the Council's political direction/control over the mission and became an unclear issue in the financial sources for ESDP. Thirdly, the EU advocated its politico-security interests toward Indonesia and the South-East Asia region (Council of the EU, 2006e:2-3). The EU policy in Aceh had two specific aims which were both based on interests: firstly, the EU nurtured a closer political and security partnership with Indonesia because it has the world's largest population of Muslims and because it is an important country in the region. Secondly, peace in Aceh would contribute positively to a stable South-East Asia.

The mode of engagement (3.4) was a considerable factor because the EU used consultation and pro-active monitoring as its modes of engagement with ASEAN in order to aggregate and harmonize its decisions with ASEAN's aspirations for their collective monitoring mission (Council of the EU, 2007g:4). The level of political and security integration, within ASEAN (2.4), and the promotion of common EU values were less significant factors in this EU policy. The level of political and security integration, within ASEAN, was developing still because ASEAN continued to prepare the APSC. According to Feith, the AMM was an integrated mission which built confidence between all involved parties (Council of the EU, 2006d:2). Based on their experience in Aceh, the EU wanted to develop further its partnership with ASEAN which might contribute to peace and security in South-East Asia (Council of the EU, 2010b:1). Their partnership would support the political and security integration within ASEAN. Additionally, the EU included its common values more as a complementary aspect of its policy on the AMM. These are reflected in the European Commission's humanitarian and development programmes (2009b:4). There is no insignificant factor in this development of the EU's policy towards ASEAN.

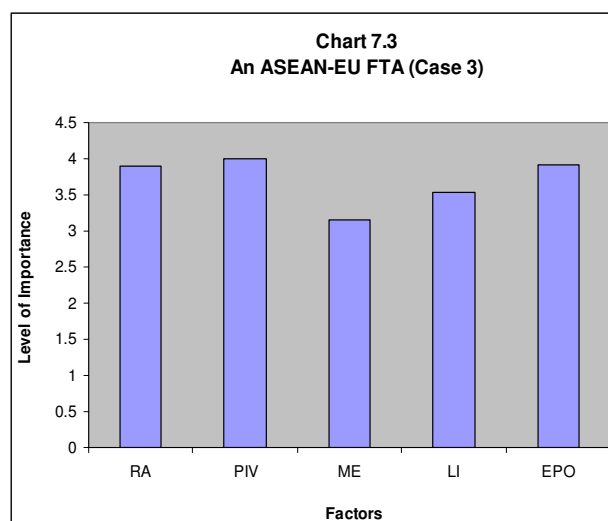


In the case of an ASEAN-EU FTA (see Chart 7.3), I argue that the internal and external factors, which affected significantly the development of this EU policy, were the relevant actors (3.9); the promotion of collective economic interests of the EU member states and the Commission driving this EU policy (4); and the threefold external pressures and opportunities (3.92). The reasons, as to why these factors were significant, are as follows: firstly, the Commission and the Council played a key role in the development of this EU policy. The institutional arrangement of this policy provided not only a policy-making mechanism, a legal foundation and a decision-making system for all the actors (particularly the Commission and the Council) within the EU to participate and interact in the development of this EU policy (Warleigh-Lack and Drachenberg, 2010:221). But it empowered, also, the Commission to convince the Council to provide the flexibility to incorporate sustainable development in the EU's negotiating mandate and a certain authority to use a suitable approach (a regional or bilateral approach) in interacting with ASEAN. The Commission and the Council wanted, in ASEAN, to further their collective economic interests such as the enhancement of global competitiveness and market access situations for EU industries against EU competitors in South-East Asia (Council of the EU, 2007d:3). Secondly, it is a EU response to the external pressure and opportunity to derive advantages from the developments in South-East Asia and outside the EU such as a deadlock in the Doha development negotiations in the WTO (European Commission, 2006a:2) and the role of ASEAN in the East Asia cooperation (Council of the EU, 2007k:7). However, the EU and ASEAN had a

disagreement about the Myanmar issue (Nuttin, 2011:3) because ASEAN put pressure on the EU to include this country in their free trade negotiations.

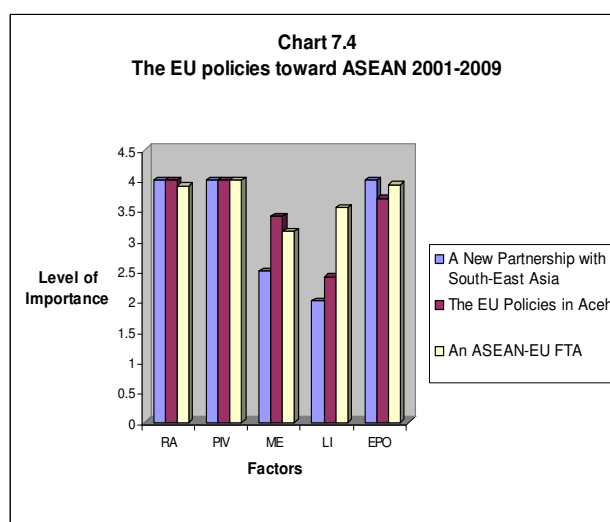
The considerable factor was the modes of engagement (3.15) because, when it engaged with ASEAN, the EU shifted its approach, from a consultation mechanism to a negotiation mechanism. At the consultation of the Vision Group on the ASEAN–EU Economic Partnership, all ASEAN countries were included in this process. In the negotiation of an ASEAN-EU FTA, the EU excluded Lao PDR, Cambodia and Myanmar from its negotiating mandate with ASEAN since they were not ready to join a FTA because of their low economic capacity. Myanmar has committed human rights violations. The EU put more emphasis on the negotiation mechanism than on the consultation mechanism owing to its intention to develop an ASEAN-EU FTA (European Commission, 2006f:1). The reason was that the EU wanted to promote its economic provisions for and speed up the realization of an ASEAN-EU FTA. However, ASEAN wanted to include all ASEAN countries in their negotiations and to consult more on the economic provisions of a future FTA.

The level of integration within ASEAN was a more important factor (3.54 or S=36) in this EU policy than it was in other EU policies because ASEAN moved further forward in its regional integration. ASEAN adopted its charter and gradually implemented the blueprints for its Community (ASEAN Secretariat, 2009g:6). There was no insignificant factor in this development of the EU’s policy towards ASEAN.



The majority of evidence (see Table 7.2 and Chart 7.4) shows that the significant factors (S=212) were the relevant actors within the various institutional

arrangements; the promotion of the EU's interests and values; and the external pressures and opportunities. The modes of engagement was a considerable factor (C=30). Interestingly, the modes of engagement changed from a less significant factor, in the case of a New Partnership with South-East Asia, to be considerable factor in the EU policy in Aceh and in an ASEAN-EU FTA because the EU modified gradually its modes of interaction to be more accommodating with ASEAN's aspirations. The level of integration, within ASEAN, was a less significant factor (L=20). It shifted gradually from a less significant factor, in the case of a New Partnership with South-East Asia, to be a more important factor in the ASEAN-EU FTA because ASEAN evolved gradually from a loose regional intergovernmental cooperation before 2003 to, nowadays, a solid regional intergovernmental cooperation (OECD, 2007:3). There was no insignificant factor.



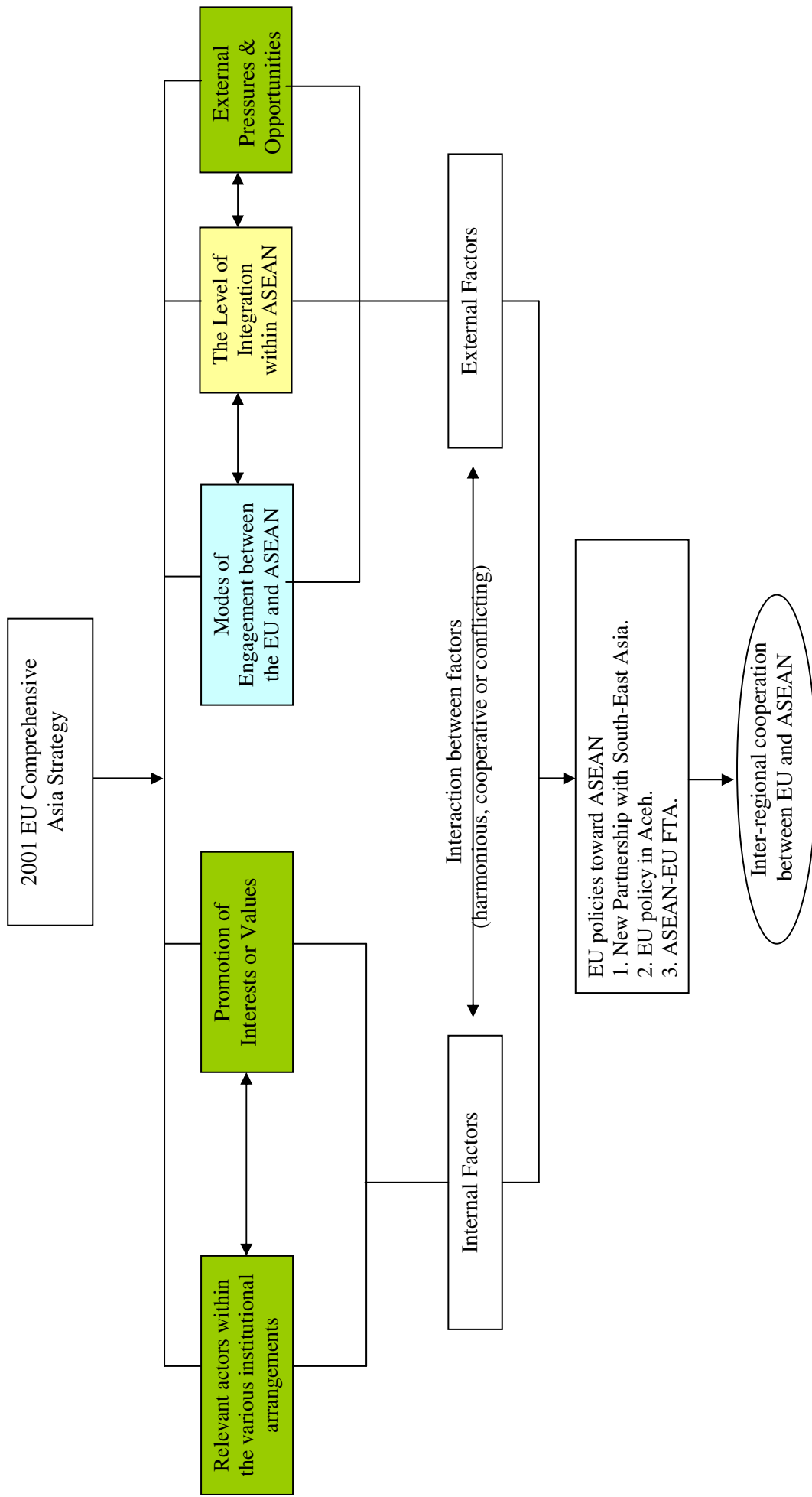
The findings and the variations in importance identified internal and external factors which explain the development of the EU's policy towards ASEAN. The next section synthesizes important points about factors and their interactions in the development of the EU policy.

### **7.3. Synthesis and Expected Behaviour Patterns from Internal and External Factors**

The internal and external factors interlock with each other. It is possible to suggest crucial points regarding these factors which, in cases, influenced the development of the EU's policy and their interactions (harmonious, co-operative and

conflicting). I compared and synthesized these crucial points in order to generate expected behaviour patterns for a conceptual framework. Figure 7.1 provides a conceptual framework for analyzing the development of the EU's policy towards ASEAN which is a revised version of the provisional conceptual framework in Chapter 3.

**Figure 7.1**  
**The Conceptual Framework of the EU's Policy Development Towards ASEAN**



Note: Green: a significant factor, Turquoise: a considerable factor and Yellow: a less significant/gradually significant factor.

The conceptual framework consists of relevant factors which are an effective means of analyzing the development of the EU's policy towards ASEAN (and possibly other regions). The conceptual framework does not only influence the development of the EU's policy but is, also, a dynamic framework. With regard to ASEAN specifically and inter-regional cooperation between the two regions in general, it shows the internal and external factors which affect one another and which influence and shape the EU's policy outcomes (successes and failures). It will be useful as a diagnostic tool because, where there is tension between different factors in the framework, there is a danger of the policy resulting in failure (ie. ASEAN-EU FTA).

I argue that, in the case studies, the general pattern of the development of the EU's policy can be explained based on the harmonious, co-operative and conflicting relationships between internal and external factors. The *harmonious* relationship between these factors refers to an ideal situation when these factors are linked to each other and where no tension at all exists between them which, then, leads to an agreement between the EU and ASEAN. The *co-operative* relationship between these factors refers to the linkages between them which may produce tensions. Tension can be caused by the interactions between internal and external factors coming from the EU, ASEAN and outside the EU. The balanced treatment of these factors by the EU and ASEAN resolves tension leading to an agreement between them. Moreover, tension, within the EU, caused by the interactions between internal factors (e.g. interests and values) can be resolved by the EU institutions and its member states because, as reflected in the institutional arrangements for these EU policies, they have the authority to incorporate these factors via qualified majority or unanimity (Eur-lex,2001:C80/6-7). The *conflicting* relationship between internal and external factors refers to the contradictions between factors and may create tensions which cannot be resolved by the EU and ASEAN. Consequently, it leads to the EU's failure to conclude its policy with ASEAN.

As shown by the example of a New Partnership with South-East Asia, internal and external factors were in a co-operative relationship when the EU formulated this policy. There was a possibility that the mode of engagement and external pressures/opportunities influenced the economic interests of the Commission and of

the key EU member states. With regard to the mode of engagement, the EU realized that it employed a minimum consultation mechanism as its mode of engagement with ASEAN which led to a small degree of tension between the two regions. The reason was that the EU left ASEAN behind and informed ASEAN, only at the last moment, about the development of this EU policy. The EU was willing to make a concession on development assistance to ASEAN in order to solve any tension. Additionally, the EU considered that the emergence of bilateral and regional economic initiatives was the result of the USA's greater involvement and the rise of China in this region and that this circumstance constituted both a pressure and an opportunity. The USA and China intensified actively their economic cooperation with ASEAN and its member countries with regard to natural economic supplies; commercial markets; and investment. At that time, the EU focused still on the WTO DDA and started to engage more with ASEAN. EU member states supported the need for the Commission to create a new partnership with ASEAN in order to further its commercial presence and benefit from the emergence of bilateral and regional economic initiatives in South-East Asia.

There was a co-operative relationship between internal and external factors in the development of the EU's policy on Aceh. ASEAN and GoI could influence the Council of Ministers and the EU member states through modes of engagement and external opportunities/concerns which shaped the outcome of this EU policy. With regard to modes of engagement, the General Secretariat of the Council of the EU was in a co-operative relationship with ASEAN, GoI, FAM and the CMI through consultation and pro-active monitoring. In their consultation, they agreed on the creation of the joint EU-ASEAN TAM /the IMP and the preparation for their civilian mission which reflected the aspirations of the EU, ASEAN, GoI, FAM and the CMI. The EU and ASEAN employed a pro-active monitoring mechanism which was not only to observe but, also, to verify and to urge the implementation of a peace agreement. All parties used these modes of engagement to facilitate and consolidate their aspirations and, thus, to strengthen their preparation and implementation of the AMM.

The external opportunities were the GoI's and FAM's readiness to resolve their conflict and the exclusion of the UN in their peace process. These opportunities had



become linked cooperatively with the EU member states' politico-security interests and the promotion of the EU's presence in South-East Asia. Moreover, the EU's external concerns, addressed by GoI, were the international interference in its domestic affairs and the internationalization of the Aceh issue. The EU was prudent in dealing with these concerns since it did not wish to jeopardize the AMM. The success of AMM would strengthen its relationship with Indonesia and make for a stable South-East Asia region. To some extent, the level of political and security integration, within ASEAN, affected partially the development of this EU policy. The unity of purpose and action of ASEAN countries to participate in the AMM demonstrated their solidarity with Indonesia and, also, their increased focus on fostering their political and security integration. At the same time, the EU needed ASEAN's participation as a regional group of monitors to gain legitimacy for the AMM and to contribute to the development of the ASEAN Security Community.

In the case of an ASEAN-EU FTA, there was a conflicting relationship between internal and external factors which led to the failure of the EU and ASEAN to reach an agreement. Human rights values conflicted with the external pressure and opportunity for the EU. The EU's human rights agenda suggested excluding Myanmar but ASEAN insisted on including Myanmar because of its solidarity and solidity as a regional group. These factors were in tension and in conflict. Balanced treatment of these factors by both parties did not occur and the outcome was a failure to establish a policy. Additionally, the level of integration within ASEAN continued to develop. Consequently, within ASEAN, there was a low level of economic ambition. ASEAN wanted a selective FTA with the EU. However, the EU, because of its economic interests, wanted a comprehensive FTA with ASEAN. These factors led to tensions which both parties could not resolve. Consequently, the negotiations failed.

From these three cases, there was no evidence of a harmonious relationship between internal and external factors. Then, if my five internal and external factors were determining increasingly the interaction between the EU and ASEAN, these would influence the development of the EU policy. When the EU's interests and values conflicted, the European Commission (2006f:2) and the Council attempted to find solutions which served the EU's economic interests and took into account the

political issues (values) within the EU. Simultaneously, the EU tried to incorporate ASEAN's aspirations and to seek a co-operative agreement between them. Therefore, if the relationship between internal and external factors was co-operative, the EU and ASEAN would likely have concluded successfully the EU policy on ASEAN. From this analysis arises the general expected pattern of behaviour: *as co-operative relationship between internal and external factors increases so too does the likelihood that the EU policy will be concluded by the EU and ASEAN*. According to this expected pattern of behaviour, if there is a conflicting relationship between the internal and external factors, there is a risk that the policy will fail.

It follows from the above that the nature of the ties between each internal and external factors explains the development of the EU's policy towards ASEAN.

### **7.3.1. Relevant Actors within the Various Institutional Arrangements**

The development of the EU's policy towards ASEAN demonstrated a high-level of coordination between actors. Many actors, both within the EU's official institutions (e.g the Commission, the Council/EU member states and the European Parliament) and outside those institutions (e.g the business community, NGOs and individual), contributed to and shaped the development of the EU's policy. They had different roles, competences and functions within various policy formulations. As explained in Chapter 3, they were divided into relevant and related actors.

The Council and the Commission were the relevant actors in the development of the EU's policies towards ASEAN. With regard to the development of the EU's inter-regional cooperation policy, it was implemented within the framework of Economic, Financial and Technical Cooperation with third countries where the Commission was a leading and coordinating institution in this EU policy. The Council had relatively greater competence to decide on this EU policy. It meant the EU member states had a greater say than the European Parliament. The Commission coordinated closely with the Council in the development of the EU's trade policy. The negotiating mandate for the Commission on an ASEAN-EU FTA was released by the Council through unanimity. Essentially, the European Parliament was a weak actor in the development of this policy. The EU member states and the Council of the EU were relevant actors in the development of EU policy with respect to Aceh. The Council with the support of key EU member states determined a joint action with

unanimity. The Commission was a related actor in the development of this EU policy; however, the European Parliament was not involved in this EU policy.

Case studies focused, also, to some extent, on a set of related actors in the development of these EU policies, such as the business communities, the European Parliament, individuals and NGOs. In most case studies, they were involved in the stages of consultation, preparation and implementation. The European Parliament was associated to the related actors rather than being a relevant actor because its role shifted from a consultative role in the EU inter-regional cooperation to an informative role in trade policies. The Parliament was informed only by the Commission regarding the development of EU policies toward ASEAN without any authority to alter them. The European Parliament, NGOs and business communities were involved in the consultative process within the development of the EU inter-regional cooperation and trade policies. NGOs and business communities attempted their advocacy in the Commission and in the Parliament because the policy-making process was transferred from national governments to these institutions (Watson and Shackleton, 2008:99-100). The prominent individual and a NGO played their intervening roles in the development of the EU policy on Aceh.

These actors interacted in the institutional arrangements for the development of the EU's policy towards ASEAN. Based on policy matters, these institutional arrangements allocated the distribution of capacity and authority amongst actors. The institutional arrangement of an inter-regional cooperation policy provided a basis of support which enabled the Commission and Council, with the consent of the European Parliament, to manage its institutional dynamic and political process before dealing with ASEAN. To some extent, the legal foundation for a new partnership with ASEAN required the EU to include, in this EU policy, common EU values together with the EU's interests. The institutional arrangement of trade policy gave flexibility; a certain amount of power; and legal protection to the Commission. With the Council consent, the institutional arrangement enabled the Commission to include economic and sustainable development issues in the negotiating mandate and to determine the EU's stance on an ASEAN-EU FTA. The institutional arrangement had an impact on the political economy debate and on the hopes of relevant actors, within the EU, as they developed this EU policy. For example, the Commission

convinced the Council to promote the WTO plus arrangement on an ASEAN-EU FTA and to employ a region-to-region approach in dealing with ASEAN. The institutional arrangements of these policies gave a greater competence and flexibility to the EU's supranational institutions (particularly the Commission) to coordinate relevant and related actors, within the EU, and in dealing with ASEAN regarding these EU policies which were decided by the EU member states using a unanimity or a qualified majority mechanism.

The institutional arrangement of CFSP/ESDP was to use an inter-governmental mechanism whereas the EU member states took longer to decide a final outcome of EU policy because the EU policy on Aceh was politically sensitive. Internally, the EU member states calculated carefully all political implications from this EU policy such as the legal aspects and the financial budget. These implications might change a line of command in the joint EU-ASEAN monitoring mission and affect financial contribution to the mission. More precisely, they could erode possibly the competence of EU member states regarding ESDP and leave unclear the issue of which sources were to be used to finance that policy. Externally, to some extent when they intended to develop the AMM, the CFSP/ESDP's institutional arrangement enabled the Council and EU member states to open communication and establish contact with ASEAN, the CMI, GoI and FAM. The institutional arrangements of an inter-regional cooperation and trade policies were more significant than CFSP/ESDP in the development of the EU's policy towards ASEAN. Given this reality, various institutional arrangements provide more possibilities and avenues for the EU to realize its cooperation with ASEAN. The reason for this is that these institutional arrangements may legitimize and support the EU policy towards ASEAN because the EU employs any kind of policy which looks suitable in achieving its given aims (Söderbaum, 2011:232).

In conjunction with the above discussion, common positions amongst relevant and related actors in the development of EU policy are crucial in realizing the EU's aims. In the case of a new partnership with South-East Asia, the Commission, the Council, the key EU member states and the European Parliament reached a common position on supporting the agreement between the two regions. The Council, the Commission, Ahtisaari and the CMI had a common position on supporting the role

of EU and ASEAN as monitors of a peace agreement in Aceh. Ahtisaari (the CMI) and Solana convinced the EU member states in the Council to support the AMM.

According to Müngersdorff (2009:5), the intra-institutional policy process suggests that the Commission consults NGOs or industry lobby groups before creating a policy initiative in the EU policy. It has influence in the intra-institutional discussions because it has more information and has studied more about the implications of the EU policy. Zito (2000:24) added that the Commission might build, in an informal way, a coalition with non-state actors in order to affect the process of EU policy-making (particularly in the Council). The relevant actors have authority to form, coordinate and decide a policy initiative. The related actors may persuade these relevant actors to include their aspirations and, thus, shape the results of the EU's policy because the institutional arrangements, within the EU, provide them with the opportunity to implement those actions. The mutual interest and understanding between relevant and related actors strengthens the international position of the EU when dealing with its external partners.

In the case of an ASEAN-EU FTA, however, there was a different view and position between, on the one hand, the EU member states, the Commission and the business communities and, on the other, the European Parliament and NGOs. The EU member states, the Commission and the business communities wanted to offer ASEAN a FTA with a WTO plus arrangement. However, the European Parliament and NGOs disagreed with a comprehensive FTA, offered by the Commission, since it would jeopardize the majority of ASEAN's developing countries. At the international stage, the fragmentation of purpose and political will, within the EU, (Ginsberg, 2002:276) might affect its development of policy toward its external partners.

In short, if the relevant actors can reduce opposition from other related actors on the EU policy towards ASEAN that would influence significantly the development of EU policy (significant factor). If all relevant and other related actors share the same position towards supporting the development of EU policy towards ASEAN, there is a greater likelihood that the EU and ASEAN will reach agreement. The reason is that the common position between relevant and related actors, within the EU, would strengthen the EU's position when dealing with ASEAN. Therefore,

*as relevant actors and other related actors increasingly share a common position within each of the various institutional arrangements, the likelihood of reaching agreement increases.* According to this expected pattern of behaviour, the likelihood that the EU and ASEAN will reach agreement will decrease, if the Council and the Commission have a different position from other related actors within each of the various institutional arrangements since this situation will weaken the EU's common position when dealing with ASEAN.

### **7.3.2. The Promotion of Interests or Values**

The case studies, explored for this thesis, suggested that the promotion of economic and politico-security interests of the EU member states and the Commission and the EU's collective interest, with regard to South-East Asia, drove the EU's policies toward ASEAN. As the case studies of a New Partnership with South-East Asia and a joint EU and ASEAN monitoring mission in Aceh suggest, the promotion of economic and politico-security interests of the EU member states and the Commission drove both EU policies. The case study of an ASEAN-EU FTA suggests that the development of this EU policy was driven by the promotion of the economic interests of the EU member states and the Commission. The EU attempted, also, through its policies, to share its common values (Lucarelli and Manners, 2006:202) with ASEAN.

The development of EU policies toward ASEAN promotes the diversity of interests amongst actors, within the EU, and, to some extent, common EU values. According to Moravcsik (1998:26), economic interests, inside the EU, would define the development of the EU policies. The political ambitions and the political will of the EU member states were expressed in the EU politico-security policy (Howorth, 2007:91). The Commission and other related actors (Zito, 2000:30) shape, also, the economic/politico-security interests of the EU and common EU values in the EU's policy developments.

Through close consultation with the Commission, the Council is competent in resolving competition among the interests themselves and, also, between interests and values, within the EU, and to decide on the EU position in dealing with ASEAN. For example, the EU attempted to create a region-to-region FTA with ASEAN for economic matters and a bilateral PCA with every ASEAN country for non-economic

matters. However, the cases highlighted that, in the development of EU policies, the promotion of the EU's interests was competing with the promotion of common EU values. The EU may need to reconcile its interests and values in order to fit into the current interdependent world (Wissenbach, 2009:1). For example, there was competition between economic interests and human rights in the development of an ASEAN-EU FTA. When the EU's interests and ASEAN's interests are in competition, the EU and ASEAN needs to adjust their own interests in order to consolidate their positions and reach a consensus or compromise between them through various modes of engagement such as the development of a new partnership with South-East Asia and the establishment of AMM.

Overall, the case studies indicated that the promotion of economic interests of the EU member states and politico-security interests of the EU were more dominant than common EU values in the development of the EU's policy towards ASEAN. If, increasingly compared to values, the EU's economic and politico-security interests determine EU policy, these would influence significantly the development of EU policy (significant factor). Then, if the EU focuses more on the promotion of interests rather than values in the development of its policy, it will increase the likelihood of achieving agreement between the EU and ASEAN because the two regions can focus on harmonizing their collective interests through economic and political co-operation and minimize the impact of their differences on human rights and democratic issues. *As EU interests takes precedence over values, the likelihood of achieving an agreement increases.* According to this expected pattern of behaviour, if the EU focuses more on the promotion of values rather than interests, it will decrease the likelihood of achieving agreement between the two regions because they were divided in their views on human rights and democratic issues which might risk their co-operation. The above situation creates a dilemma of choices for relevant and related actors within the EU since the EU has attempted to improve the portion of its values in its external policy towards other regions in the late 1990s (Börzel and Risse, 2004:26).

### **7.3.3. Modes of Engagement between the EU and ASEAN**

The EU employed a combination of consultation, monitoring and negotiation mechanisms as its modes of engagement in interacting with ASEAN. As mentioned

in Chapter 3, consultation is a process of dialogue between two regional organizations in order to build a consensus in pursuing their collective objectives. They can solve their differences based on a consensus method. Negotiation is an interactive-bargaining mechanism between two regions in seeking compromise on their agreements. Monitoring is a process whereby an organization exercises its competence and capacity to oversee an agreement. The monitoring mission verified and urged the implementation of a peace agreement between conflicting parties.

As the case study of a New Partnership with South-East Asia suggested, the EU used a minimum consultation mechanism as its mode of engagement with ASEAN. However, a minimum consultation mechanism created some tension because the EU informed ASEAN only about the final conclusion of this EU policy. ASEAN felt left behind because of this action. The EU resolved the discontent by increasing its development aid for ASEAN. The case study of a joint EU and ASEAN monitoring mission illustrated that the EU applied consultation and monitoring mechanisms in engaging with ASEAN. ASEAN used these modes of engagement as a method to express their aspirations to the EU. The EU and ASEAN could exchange and discuss all issues with regard to the preparation of the AMM; the AMM's role and functions; and the implementation of their joint mission. There was co-operative relationship between the EU and ASEAN when they applied these modes of engagement in the development of this EU policy.

The case study of an ASEAN-EU FTA suggested that the EU used consultation and negotiation mechanisms to engage with ASEAN. With a consultation mechanism, the EU and ASEAN reached a collective agreement on the development of the EU and ASEAN Vision Group report. However, the EU and ASEAN used a negotiation mechanism when they attempted to create a FTA. Meanwhile, South-East Asian and European NGOs established the EU-ASEAN Campaign Network to monitor the ASEAN-EU trade negotiations. It showed how cross-regional NGOs advocated their developmental agendas in order to influence and shape the decisions of trade negotiators from the EU and ASEAN. In the end, the EU and ASEAN suspended their negotiations because of several disagreements on the Myanmar issue; a WTO plus arrangement; and the exclusion of the least developed countries from the free trade negotiations.



Within the EU, the internal interactions were divided into bargaining and problem-solving models (Elgström and Jönsson, 2000:685). The EU and ASEAN used consultation, negotiation and monitoring mechanisms separately and/or to complement one another in their inter-regional interactions. In order to reach the best outcome for each side, the EU negotiated a FTA with ASEAN based on a bargaining method between both parties. According to Hoekman and Vines (2007:317), trade negotiations are an example of integrative bargaining which aims to find a mutual gain between both parties. The EU and ASEAN employed an offer-counter offer bargaining mechanism (Avenhaus and Zartman, 2007:9). They exchanged their proposals with one another over seven rounds in order to settle their differences. What people expect normally from negotiation is that it may open possibilities for resolving the differences between both parties. However, the ASEAN-EU free trade negotiations were not like that. There is a counter intuitive finding because the previously mentioned dissension proved insurmountable. Their differences were politically controversial and economically complex.

However, based on a consensus method, the consultation mechanism aims to solve their problems or differences in order to reach a mutual solution for both parties such as a new partnership with South-East Asia and the EU policy in Aceh. Regarding the EU policy in Aceh, a monitoring mechanism was an extension of the consultative method involving all related parties to build a consensus on the preparation of the AMM and to oversee the implementation of the agreement in an effective way.

If consultation and monitoring mechanisms are used increasingly in the process of interaction between the two regions, then, they influence moderately the development of the EU policy towards ASEAN (considerable factor). Therefore, if the EU and ASEAN employ consultation and monitoring mechanisms as the ways of interaction and discussion regarding related issues on the development of the EU policy towards ASEAN, they will be more likely to achieve agreement. The reason is that the EU and ASEAN have different political traditions; economic regulations; and values which may be resolved based on a consensus method as in the consultation and monitoring mechanisms. Based on the three studied cases, *as the EU increasingly uses consultation and monitoring mechanisms, the likelihood of*

*achieving an agreement increases.* According to this expected pattern of behaviour, if the EU and ASEAN use a negotiation mechanism as their mode of engagement, they will not achieve agreement easily. The reason is that, when they adopt a bargaining method as in the negotiation mechanism, the EU and ASEAN will face difficulties in settling their above differences.

#### **7.3.4. The Level of Integration within ASEAN**

With regard to the cases of a New Partnership with South-East Asia and a joint EU and ASEAN monitoring mission, the level of integration, within ASEAN, was at an early stage. This situations, in these above cases, created co-operative relationships between the promotion of the EU's interest and the level of integration within ASEAN because ASEAN focused on the implementation of its free trade area project (AFTA) and the strengthening of the politico-security arrangement (ARF) (Khong and Nesudurai, 2007:79). ASEAN had signed recently the ASEAN Community arrangement and had begun to integrate its member countries. This situation was in line with the EU's intention to share its integration experience with ASEAN.

The ASEAN-EU FTA case study indicated that the regional integration within ASEAN was in progress, at that time, as a solid regional inter-governmental cooperation which I refer to as ASEAN's developmental transformation. The level of integration, within ASEAN, was more advanced than before as mentioned in Chapters 3 and 6. The EU proposed a WTO plus arrangement to ASEAN countries but this was not compatible with the current stage of ASEAN countries' economic development. This contradictory circumstance demonstrated a conflicting relationship between the EU's economic interests and the level of ASEAN regional integration which led to the EU and ASEAN failure to conclude their trade negotiations.

Within ASEAN, the level of integration changed gradually from being a less significant factor to becoming a more important factor in the development of EU policies. As the cases of a New Partnership with South-East Asia and a joint EU and ASEAN monitoring mission demonstrated, if the level of integration, within ASEAN, had been static or weaker than previously, it would have been less

significant in the development of EU policy toward ASEAN and the EU would have been more likely to achieve its expected agreements with ASEAN. The reason is that it would be easier for the EU to seek its economic and politico-security interests within ASEAN. Besides its economic interests, the EU shared its economic regulations and standards with ASEAN because ASEAN needed the EU's assistance in order to further the commercial activities of both parties and to support its own regional integration. From its politico-security interest, the EU needed ASEAN countries, in the AMM, to give it credibility and to support the development of the ASEAN Security Community. The participation of ASEAN countries in the mission served as a lesson for ASEAN and, thus, contributed to ASEAN political and security integration. Therefore, *as the level of regional integration within ASEAN remains static or becomes weaker, the likelihood of achieving agreement increases*. As the case of an ASEAN-EU FTA has shown, if the level of integration within ASEAN had become gradually more robust than previously, the EU would be less likely to achieve its expected agreements with ASEAN because ASEAN would defend its aspirations (ie, a selective FTA rather than the WTO plus arrangement) which conflicted with the EU's expectation. This situation may counter the EU's assumption that ASEAN was ready to adopt an ASEAN-EU FTA based on the WTO plus arrangement and to adhere to the EU's integration model.

According to Aggarwal and Forgaty (2004:236), the EU would enhance its inter-regional process with other regions if these regions follow the EU's requirements in substantiating further their intraregional institutional identity. However, they feel that their argument is speculative. I argue that, in the last decade, ASEAN has fostered its regional integration in order to respond to economic and politico-security challenges such as the harmonization of economic development within ASEAN countries; the proliferation of regional economic initiatives in the Asia-Pacific; the competitive economic environment in East Asia; and the preservation of South-East Asia security. In their inter-regional relationship, ASEAN does not adhere to the EU's requirements, such as the application of the EU's integration model. The EU's integration experiences may inspire ASEAN regional integration. However, ASEAN prefers solid inter-governmental cooperation to a supranational union (as in the case of the EU) (ASEAN Secretariat, 2006b:1) because

its cooperation preserves national sovereignties and gives ASEAN countries a certain adaptability to deal with the above challenges.

As the three cases demonstrated, the EU's regional integration experience was shared with ASEAN. The promotion of regional integration, as EU policy, is supported by its member states because it is not challenging their national sovereignty and not changing hugely the EU's budgetary impact (Farrell, 2007:300). The EU is more interested in supporting regional integration within ASEAN than previously, through sharing its regional experience, since it would promote its own economic and politico-security interests in its relations with South-East Asia. An integrated ASEAN would assist the EU in having a region-to-region FTA when ASEAN becomes a single market in 2015 and to attain a region-to-region politico-security cooperation. The EU focuses more on supporting and shaping the process of ASEAN integration rather than requiring ASEAN to adopt its integration model (European Commission, 2012b:1).

#### **7.3.5. External Pressures and Opportunities**

The external pressures and opportunities are divided into two elements, namely, the geo-political situation and the external political economy. The geo-political situation consists of the GoI's and FAM's readiness and willingness of to discuss and find a solution to their conflict in Aceh and the absence of the UN in the peace process. Moreover, GoI raised the internationalization of the Aceh issue and foreign interference. The external political economy element consists of the explosion of regional and bilateral trade initiatives in the South-East Asia region because of the greater involvement of the USA and China's rise in the region; a deadlock in the WTO Doha Round negotiations; ASEAN's significant role in the East Asia cooperation; and the inclusion of Myanmar in the EU and ASEAN free trade negotiations.

The external situations and actors may become part of the EU bargaining process and be empowered by the EU institutions and its member states to determine EU policy (Smith, 2006:393-394). The external pressures and opportunities would be important in contributing to the EU's policy developments towards ASEAN. In several instances, they appeared to be the significant factors which influenced the

development of these three EU policies. They had combined to affect the developments in EU policies. On the one hand, if there are co-operative relationships between the promotion of EU interests and these external pressures and opportunities, the EU and ASEAN may achieve agreements. For example, the case of the EU policy on a new partnership with the South-East Asia region suggested the co-operative nature of the relationship between the emergence of bilateral and regional trade initiatives in the region and the promotion of the economic interests of the EU member states and the Commission. The case of the EU policy on Aceh demonstrated a co-operative linkage between (1) the readiness and willingness of GoI and FAM to resolve their conflict and the absence of the UN in their peace process; and (2) the politico-security interests of the EU and its member states in the region. On the other hand, if there is a conflicting relationship between the EU's interests and values and these external pressures and opportunities, it may lead the EU to fail to conclude its policies with regard to ASEAN. The reason is that the inclusion of Myanmar in the EU and ASEAN free trade talks created a tension which both parties could not resolve.

Overall, if the EU is able to manage the external pressures and opportunities from ASEAN and outside the EU, those pressures and opportunities can influence more significantly the development of EU's policy towards ASEAN (significant factor). For example, the EU responded to the emergence of bilateral and regional economic initiatives in the South-East Asia region because of the USA's greater involvement and China's rise in that region. Then, the EU was not only taking opportunities to monitor the implementation of the peace agreement in Aceh, because of the absence of the UN, but it was careful, also, to deal with GoI's concerns regarding the violation of Indonesian sovereignty and the internationalization of the Aceh issue. Therefore, if the EU can respond effectively to the external pressures and opportunities from ASEAN and outside the EU and can be resolved by the EU and ASEAN without violating the interests and values of both parties, the EU and ASEAN will be more likely to achieve agreement. The reason is that those pressures and opportunities challenged the EU to be more flexible in dealing with ASEAN and more responsive to the developments in South-East Asia.

*As the EU and ASEAN are able to resolve the external pressures and take advantage of opportunities, the likelihood of achieving an agreement increases.*

According to the above expected pattern of behaviour, the EU and ASEAN are less likely to achieve agreement, if two situations remain unfulfilled: firstly, if the EU is unable to respond effectively to external pressures and opportunities from ASEAN and outside the EU and, secondly, if the EU and ASEAN remain unable to find a resolution to such an ineffective response without violating both parties' interests and values. The reason is that those pressures and opportunities have eroded the importance of the EU in South-East Asia and the relevance of the EU relationship with ASEAN. For example: firstly, the EU has not had any FTA with ASEAN and its countries and, secondly, the EU is trying still to gain membership of EAS. There is increasing competition between the EU and other countries (the USA and China) when engaging further with ASEAN. Over time, these EU competitors adjusted their approaches in dealing with ASEAN which led them to gain membership of EAS. China convinced ASEAN by acceding to TAC; implementing an ASEAN-China FTA; and creating an ASEAN-China centre. Chinese Premier Wen explained that China's diplomacy would be to place more emphasis on its relationship with its neighbours and to engage actively in regional cooperation with external actors (Gov.cn, 2012:1) such as ASEAN. Regarding the USA's pivot to South-East Asia, the USA cemented, also, its partnership with ASEAN by fostering a TIFA; opening the US mission to ASEAN; and signing TAC (Clinton, 2011:1).

In summary, as it stands, the three previously mentioned cases corroborated these patterns of behaviour. Future researches may opt to test these patterns of behaviour further.

#### **7.4. General Trends in and Implications for the EU-ASEAN Relationship**

As indicated by the cases covered in this thesis, the above situation has led to general trends in and implications for inter-regional relationship between the two regions. These are: firstly, the development of the EU's policy towards ASEAN shifted gradually from being focused on internal factors, within the EU, to an attempt to adopt a more balanced treatment of internal and external factors. Things are changing partly because of not only what ASEAN has done but, also, partly because

of geopolitical and economic changes in South-East Asia/East Asia. South-East Asia is becoming more self-sufficient and important. The EU is struggling and needs to recognize that fact by taking these external factors into account. It is a crucial development and contradicts commonly received wisdom about the EU's approach to ASEAN with many believing that the EU and ASEAN relationship is not a priority for the EU (Foster, 2002:758 and Smith, 2008:58).

However, the EU and ASEAN have cultural divisions in dealing with differences. On the one hand, ASEAN believes in the appreciation of national sovereignty; the principle of non-interference; and in the ASEAN way as its consensus based decision-making system. On the other hand, the EU believes in rigid regulations; and democratic and human rights values. Therefore, sometimes, the EU and ASEAN have spoken different languages and have had different expectations. The ASEAN consensus method of consultation may be a possible productive and suitable way for both parties to resolve their differences. They may bridge their cultural divide by intensifying dialogue through the consultation mechanism to resolve their differences; gradually adjusting their expectations; and pursuing consensus building in their relationship.

From the three cases, these illustrated that the EU and ASEAN could act collectively and implement their inter-regional agreements such as a New Partnership with South-East Asia and a joint EU and ASEAN monitoring mission in Aceh. Both parties developed and implemented these agreements with effective results. However, the case of an ASEAN-EU FTA demonstrated that the divisions between the EU and ASEAN on political and economic issues could hinder their ability to resolve their differences. This inter-regional cooperation was overshadowed by the promotion of common EU values which, to some extent, ASEAN resisted.

The above trend has profound implications for the inter-regional relationship between the EU and ASEAN. Their relationship was driven mainly by economic interests. However, to some extent, the issues of human rights and democratic institutions overshadowed the EU political relationship with ASEAN as in the case of Myanmar. Consequently, the political relationship between the EU and ASEAN influenced the economic relationship between them. As discussed in Chapter 6, the

dissent between the two regions on the Myanmar issue resulted in them being ineffective in concluding the establishment of an ASEAN-EU FTA.

Once Myanmar had moved forward gradually on the road to democracy, the political relationship of the EU and ASEAN would be improved and lead to benefits for both regions. Myanmar demonstrated a gradual movement toward democracy, for example: the transfer of political and economic authority from the military regime to the semi-civilian administration; the release of Aung San Suu Kyi; later release of thousands of political prisoners; and the cease-fires between the Myanmar government and several ethnic rebels (Karen, Wa, Shan and Chin) (BBC, 2012a:1). The American and British foreign secretaries visited Myanmar in December 2011 and January 2012 (BBC, 2011a:1 and 2012b:1). They saw a momentum for change and called for more progress on political reform in Myanmar. The EU observed carefully the process and the results of by-elections in Myanmar and, if the elections were free and fair, might use them as a basis for easing its sanctions gradually (BBC, 2012c:1). On 23 April 2012, the EU recognized the positive result of by-elections and the political progress in Myanmar. It suspended gradually its restrictive measures against the Myanmar government with the exception of the arms embargo (Council of the EU, 2012c:1-2). ASEAN welcomed the EU's decision to relax its sanctions on Myanmar (ASEAN Secretariat, 2012a:1). On 28 April 2012, Catherine Ashton, the EU's High Representative for Foreign Affairs and Security Policy, visited Myanmar where she launched a new EU office (Council of the EU, 2012d:1). It means that the more the EU balances its internal and external factors, then, it supports the development of its policy towards ASEAN which will affect the EU and ASEAN relationship positively.

Secondly, the trend in the EU and ASEAN relationship has been recognized as improving gradually and leading to greater interdependence since the 2000s. It alters the common perspective that the EU and ASEAN relationship is a dependent colonial-master relationship (Tan and Yue, 1997:3 and Godement, 2008:41). Several European countries (the UK, the Netherlands and France) had a colonial history with several ASEAN countries (Malaysia, Singapore, Brunei, Vietnam and Indonesia). The EU and ASEAN relationship from 1972 to 1990 was not a priority for the EU for two reasons: firstly, the US increased its military operations in South-East Asia



because of the Cold War; and secondly, the EU focused more on its relationship with ACP states and on monitoring the Soviet Union. In 1996, the EU and ASEAN established ASEM to improve their relationship.<sup>200</sup>

However, the Myanmar membership in ASEAN and the East Timor crisis led to a deterioration in EU and ASEAN ties from 1997 to 2000. Afterwards, the EU enhanced its new partnership with ASEAN. The significant developments in their relationship appeared more in the last decade than previously. There are political and economic reasons as to why the EU and ASEAN want to strengthen their relationship. The economic reasons are the EU is in the top position as a foreign investor in South-East Asia and in the second rank of ASEAN's trading partners. An ASEAN-EU FTA might be seen as a realization of the EU and ASEAN economic partnership. Therefore, their relationship is increasing in economic terms and interest from both regions may become greater. The political reason is the success of the AMM as a model of politico-security co-operation between the two regions. The EU and ASEAN politico-security co-operation has developed gradually and expanded in the context of areas of cooperation such as terrorism; migration; and border management for ASEAN countries (Asthon, 2012:1). The implication of the above situation is that, to some extent, the EU and ASEAN relationship has shifted potentially from a dependent colonial-master relationship to a mutual interdependent partnership. It affects the competence each has in relation to the other for specific and general reasons. For specific reasons, the EU's competence was stronger than that of ASEAN in their discussions on first and second cases because of the lack of ASEAN's integration and the state of their development. However, by the time of their discussions on an ASEAN-EU FTA, the EU's competence depended relatively on ASEAN because of the Myanmar issue and their differing views on the WTO plus arrangement. It means that the EU and ASEAN are becoming mutually dependent on one another.

For general reasons, as the biggest investor and second trading partner for ASEAN, the EU may have more economic power than ASEAN. However, the EU needs increasingly ASEAN support to emerge from the recent economic recession. The reason is that ASEAN has a huge market; a fast growing economy; and abundant

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<sup>200</sup>See Appendix 12.

natural resources which may assist the EU's economic activities. The role of ASEAN in East Asia is crucial and is becoming an axis of political and economic cooperation for its external partners. These situations increase ASEAN's leverage vis a vis its partners including the EU. For its long term political and economic objectives in South-East Asia, the EU needs well-adjusted policies to focus on nurturing its relationship with ASEAN.

Overall, the conceptual framework highlights the different kinds of interactions (harmonious, co-operative and conflicting) between internal and external factors (of varying significance) which drive EU policy-making and suggests a correlation between these interactions and the overall success and failure of the development of the EU's policy toward ASEAN. However, this framework is situated temporally when the EU and ASEAN relationship is moving from a hierarchical ex-colonial dynamic to one of greater interdependence. As this historical trend continues, EU's inter-regional policies, which do not take adequate account of external factors, will incur a greater risk of failure. I anticipate that the increasing weight, which will need to be given to external factors, will affect gradually the importance of achieving co-operative relationship between internal and external factors, and increase the degree of correlation between this kind of cooperation and the success of the policy in question.

## **7.5. Theoretical Contributions, Future Research Opportunities and Policy Implications**

The theoretical contributions and challenges and policy implications, which can be derived from this research, are as follows:

### **7.5.1. Theoretical contributions**

As is evident from all cases, inter-regionalist scholars and I analyze from different angles and adopt different research methodologies in explaining the inter-regional relationship between the EU and ASEAN. I examined policy development from the perspective of one regional organization toward another regional organization. The conceptual framework assessed, in a micro context, both the development of EU policies toward ASEAN and, in a macro context, the inter-regional ties between the two regions. From the inductive research strategy, I deduced expected behaviour patterns based on the main findings of all cases. This

study aimed to develop behaviour patterns of internal and external factors which explained and elaborated, in greater detail, the development of EU policies toward ASEAN. From a broader perspective, the conceptual framework incorporates the main findings on the relevant factors in the study of EU's external relations with other regional organizations and its implications for the study of inter-regionalism and the discipline of IR.

Theoretical contributions can be divided into two areas of literature. These are: firstly, the literature of EU external relations; and, secondly, the literature of inter-regionalism (eg. the EU-ASEAN relationship). Firstly, unlike previous research, the conceptual framework enriches the literature about the EU's external relations with other regions. It demonstrates the limitations of integration theories; the concept of structural foreign policy; and the approach of supranational inter-governmentalism. When examining the formulation of EU policy toward other regions, these are:

- (1) Holland illustrated briefly the development of EU policy in Asia and connected it to the discussion of EU integration theories (inter-governmentalism and multilevel governance) (see Chapter 2);
- (2) Keukeleire and MacNaughtan (2008:335) developed the concept of structural foreign policy to explain CFSP and EU foreign policy beyond CFSP. They did not explain, in depth, the EU foreign policy toward East Asia/South-East Asia (ie. the EU policy on Aceh);
- (3) Howorth (2007:30) used the approach of supranational inter-governmentalism to examine the EU's overseas mission (ESDP). He gave only a brief insight into the EU mission in Aceh.

However, the integration theories, the concept of structural foreign policy and the approach of supranational inter-governmentalism focused on internal factors, within the EU, and tended to neglect the influence of external factors from outside of the EU in the context of the development of EU policies toward ASEAN. Modes of engagement; the level of regional integration within ASEAN; and the external pressures and opportunities combined to shape and affect the EU's policy developments toward ASEAN. Whilst this thesis suggests that the EU needs to take into account these external factors in its policy development, it determines, also, the inter-locking relationship between the EU's institutional machinery and ASEAN and

external developments outside the EU. EU external relations are not only the EU's affairs but, also, are linked increasingly with ASEAN. This has shaped the leverage in and changed the nature of their inter-regional relationship.

Secondly, this thesis adds some noteworthy contributions to the literature of the inter-regionalism. Aggarwal and Fogarty proposed an inter- and trans-regionalism model of relationship in order to describe, within the institutional frameworks of commercial relationships, the role of involved actors between the EU and other regions. They did not provide, in great detail, explanations and empirical work on the various policies within the framework of the inter-regionalism between the EU and ASEAN. They suggested that many regional entities developed their foreign commercial policy more in the last decade. Therefore, there was a need to assess and understand the driving factors behind inter-regionalism which would be an important theoretical and policy concern (Aggarwal and Forgaty, 2004:238). According to Rüländ (2010:1280) within the study of inter-regionalism, their work was still at an early stage. He suggested that more studies needed to be done in examining when, how and, to what extent, national and regional actors affected the emergence, evolution and decision-making within inter-regionalism. This thesis provides analyses about how, when and, to what extent, internal factors within the EU and external factors from ASEAN or outside the EU affected the development of the EU policies toward ASEAN. It highlights not only expected patterns of behaviour in the interaction between internal and external factors but may connect, also, this interaction with the EU policy results. This situation influences profoundly inter-regional trends of balanced treatment between internal and external factors by the EU and ASEAN in their policy-making and the enhancement of a mutual co-dependent relationship between both parties.

Overall, these findings may contribute to the literature on EU external relations and inter-regionalism. The conceptual framework includes and bridges explanations of both the micro aspect of the EU's policy developments towards ASEAN and of the macro aspect of the inter-regional relationship between the EU and ASEAN. As mentioned in Chapter 2, the analyses by the group of historical scholars and the group of functional scholars, focused only lightly on EU and ASEAN interactions relating to the system of global governance (the macro aspect). They neglected the

process and the explanation behind the reasons for a regional organization's policy developments toward another regional organization (the micro aspect) which, in turn, affected the relationship between the two regions. The conceptual framework and empirical data analyze systematically what are the relevant factors and their importance in the development of EU's policy toward other regions. They examine the patterns of behaviour within these factors which affect the EU policy outcomes. Then, they explain what effect the interactions of these factors produce for the inter-regional relationship between the two regions.

### **7.5.2. Theoretical Challenges and Future Research Opportunities**

My aim was not to develop a theory which predicts the EU's policy with other regions. It was quite difficult for me to find a single theory which provided an adequate explanation of the development of the EU's policy with respect to other regions and its impact on inter-regional cooperation between two regions. My aspiration was rather to develop a conceptual framework which could explain the development of the EU's policy toward other regions, such as ASEAN, and its impact on the inter-regional ties between the two regions. This thesis generated behaviour patterns which may be useful in formulating theories and developing further analyses on inter-regional ties. Because this research was based on case studies embedded within the EU and ASEAN relationship, more extensive studies of other inter-regional relationships are needed to test the generalizability of this conceptual framework. This research does not cover all inter-regional relationships in the world. However, other scholars can derive and use explanations of internal and external factors from the cases, included in this study, as a conceptual framework in which to find out as to why the EU wants to cooperate with other regions (eg. the EU and Mercosur relationship and the EU and ACP states relationship) or whether a regional organization would like to have inter-regional ties with other regions (eg. the ASEAN and Mercosur relationship and the ASEAN and Andean Community relationship). If so, then, the internal and external factors need to be adjusted based on the characteristics and co-operative models of these inter-regional relationships.

The conceptual framework is aimed particularly at contributing to further discussion and explanation of the literature of inter-regionalism. Further research needs to be done by other scholars (e.g. the group of trans-regional scholars as

mentioned in Chapter 2) to expand the applicability of the conceptual framework beyond inter-regionalism. Further research can be done on how, when and, to what extent, the conceptual framework can be employed to explain the trans-regional relationship between any two regions. I hope that these internal and external factors will open new avenues for further research on trans-regionalism. I employed a conceptual framework to explain the developments in EU policies toward ASEAN from 2001 to 2009. All cases, which this study analyzed, were established before the Lisbon Treaty came into force. The EU and its member states ratified the Lisbon Treaty in November 2009. The Lisbon Treaty is the foundation of the EU external policy from 2010 to onwards. This situation had implications which led to changes in institutional mechanisms and actors within the EU's policy developments toward other regions. Further studies are needed to explain the developments of the EU's policies toward ASEAN and other regions since the ratification of the Lisbon Treaty. Other scholars can adopt this conceptual framework to fulfill the above need.

### **7.5.3. Policy Implications**

John argued that some theories in the study of politics/public policy did not seem to connect with the real decision-making (John, 2012:119) because they were theory-driven research and not problem-driven research (Shapiro, 2005:182). Shapiro argued that theory-driven scholars had ad hoc fallacy arguments which seemed partly convincing to partisans of their theoretical priorities. However, problem-driven scholars tend to look at previous theories that explain phenomena and attempt to see their limitations and find best alternatives to explain the real problem (Ibid, p.186-187). Therefore, Jackson advocated that there had to be more room for interaction between academics and practitioners and this would encourage these academics to engage with global politics through their practical suggestions for practitioners.<sup>201</sup> There was, also, an increasing need for political and social science to link the academic researches and the work of practitioners and, thereby, address more directly the real problems of society. This trend may become stronger as a way for academics to go beyond their world in order to transfer their knowledge to and involve themselves in solving obstacles in policy development and social works. It

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<sup>201</sup>Interview with Patrick Jackson, The American University, Edinburgh, 18 June 2012.

allows me to propose this thesis as one of bridge building between theories and real problems in the development of policy within a regional organization and inter-regionalism.

From the three cases, I infer policy implications for the EU and ASEAN in their relationship. I do not consider that these implications are the only possible recommendations. I believe that many of these recommendations about EU policy development towards ASEAN and their inter-regional relationship can be developed by further research on inter-regionalism. As for the EU, the conceptual framework can manage inter-regional cooperation by treating internal and external factors in a co-operative way. In the previous era, the EU seemed to pay more attention to internal factors rather than external factors when it developed its policies and inter-regional relationships with ASEAN and other regions. Keukeleire and Bruyninckx (2011:401) argued that the EU should begin to spend more time and energy in external negotiations with its external partners rather than focusing merely on its own internal negotiations and decision-making system. The EU should consider not only the interests of its member states and institutions but, also, take into account its external partners' aspirations. The EU had taken a transformative leap which when it developed its policy, such as in the case of EU policy in Aceh and in the case of EU policy on the creation of an ASEAN-EU FTA took into account gradually the external factors both of its external partners and outside the EU.

The EU and ASEAN can develop a mutually-interdependent partnership which is more flexible in strengthening the process of their inter-regional cooperation. The EU may adjust its promotion of its common values and the level of its economic ambition in order to be compatible with ASEAN. When this happens, ASEAN is not obliged to accept common EU values and to meet the EU's economic ambitions. This situation would be more attractive to ASEAN in deepening its inter-regional cooperation with the EU.

As for ASEAN, it can improve its capacity and capability to face inter-regional cooperation with the EU. Recently, at the ASEAN foreign ministers meeting there was the small incident of a diverged position between ASEAN countries on the South China Sea issue (Economist, 2012:1). It was an opportunity for ASEAN countries to test their ability to resolve their differences and come up with a common

position. ASEAN can focus on the realization of the ASEAN Community in order to strengthen and consolidate its regional integration and particularly that of the AEC. As a result of the realization of the ASEAN Community, ASEAN is more attractive to its external partners (eg. the EU) as a solid regional inter-governmental organization. The EU and ASEAN relationship would give both parties mutual benefit in such as commerce; investment; development aid; and environmental protection.

If ASEAN has an effective inter-regional cooperation with the EU, ASEAN may increase its profile in the regional and global arena. Wilson<sup>202</sup> argued that, if the EU and ASEAN continued to improve their cooperation in the field of preventing conflicts, they would contribute effectively to the preservation of regional and global stability (Xinhua, 2011:1). For example, the AMM is a valuable experience for ASEAN to build its capability and capacity in handling civilian and military conflicts; dealing with complex security issues in the South-East Asia region; and fostering political and security integration within ASEAN. This experience helps teach ASEAN to deal with existing regional conflicts such as the armed conflict in the South of Thailand<sup>203</sup> and the border dispute between Cambodia and Thailand over the Preah Vihear temple<sup>204</sup>. Then, ASEAN may build confidence with China, the USA and other external actors regarding territorial disputes in the South-China Sea. ASEAN should focus on managing co-operative relationships among external actors and reducing competitive actions between these actors in the region.

By learning the EU's intentions and motivations, ASEAN can expand its policy options to develop inter-regional ties with the EU or other external partners. Through effective modes of engagement with the EU, ASEAN may maximize its interaction, articulate its aspirations and aggregate its interests. ASEAN can persuade the EU to take on board its aspirations so that they are adopted in the EU policy.

Finally, ASEAN maintains its position as a driving force and is involved actively in the political and economic developments in the South-East Asia region

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<sup>202</sup> The Head of Delegation of the EU to ASEAN.

<sup>203</sup> The resistance of Malay Moslems to the Thai government began in 1902. In 2001, the Thai government employed a military approach to end the resistance. Islamic separatist groups increased their attacks against the Thai Army (Horn, 2011:1).

<sup>204</sup> Thailand and Cambodia claimed the 4.6 sq km of land around Preah Vihear temple. Between 2009 and 2011, they had armed clashes over the status of land around the temple (BBC, 2011:1).



and in the East Asia region. These regions have become gradually an epicenter of the global economy. Outside Europe, China and ASEAN are the EU's second and third largest trading partners (European Commission, 2011d:1). The situation would change the economic balance between European and East Asian countries. The economic and financial crisis, in the Eurozone, resulted in accelerated economic progress in these regions. Consequently, the emerging East Asian economies have become attractive to the EU to be part of this development, such as the creation of an ASEAN-EU FTA which may foster European economic recovery and economic growth (Wilson, 2012). The EU would keep an eye on external pressures and opportunities which may arise from further developments in the two regions. The EU would contact ASEAN as its strategic partner when it would like to engage more with these regions.

## **7.6. Conclusion**

Turning to the analyses and explanations of the relationship between the EU and ASEAN presented in this study I am of the view that, in important ways, internal and external factors influenced the developments of EU policies towards ASEAN. The EU needs to take into consideration external factors from ASEAN and outside the EU when it develops its policies towards ASEAN. The EU and ASEAN relationship has mutual benefits for both parties when these factors are balanced between one and the other. The connection between the EU and ASEAN has shifted to a mutually interdependent relationship.

It is important to select the essential points and to conclude with the main findings of this research. These are as: firstly, the significant factors, in the developments of the EU's policy towards ASEAN were: the relevant actors within the various institutional arrangements; the promotion of interests or values and/or a combination of all of them which may drive the EU's policies; and the external pressures and opportunities. The considerable factor was the modes of engagement in the interaction between the two regions. The level of integration within ASEAN was a less significant factor in the development of a New Partnership with South East Asia and the EU policy on Aceh. It has become gradually a more important factor in the development of the ASEAN-EU FTA than in the other cases. In this thesis, these

three cases demonstrated the conceptual framework which was employed to analyze them.

Secondly, the EU's policy development with respect to ASEAN or a regional organization's policy development toward another region needs to be taken into account as the main concerns of inter-regionalism. It will bring theoretical contributions and policy implications for the EU and for other inter-regional relationships. Theoretically, this thesis contributed to developments in understanding and explaining the formulation of the EU's policy towards ASEAN, in particular, and to inter-regionalism generally. It assessed how, when and, to what extent, internal and external factors influenced the development of the EU's policy and their implications for the inter-regional relationship between the EU and ASEAN. The behaviour patterns, advanced in this thesis, were produced after examining the influence of these factors upon the development of the EU's policy. The conceptual framework highlights the shortcomings of integration theories such as the lack of attention paid to external factors from the EU counterparts and outside the EU when they explained the EU's policy developments and the study of EU external relations. The conceptual framework examines the interaction of internal and external factors which affect and shape the results of the EU's policy. It explains, in micro dimensions, the development of the EU's policy and, in macro dimensions, the EU-ASEAN inter-regional cooperation. On the policy side, the conceptual framework can be used as a policy framework to manage inter-regional cooperation between the two regions.

Thirdly, the adaptability of the conceptual framework is needed to explain other EU inter-regional relationships with other regions or inter-regional relationship beyond Europe. The conceptual framework provides reasons when, how and why a regional organization uses its resources and competence to develop its policies towards other regional organizations. This framework is an effective analytical model in explaining the interaction between two regional organizations.

## Appendixes

### Appendix 1 – Maps of the EU and ASEAN



Source: Compiled from Europa (2012b:1), SEACOOP (2012:1) and Stellar Consulting Group (2012:1).

## Appendix 2 - GDP of ASEAN countries, 1998-2008

(USD)

Country	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008/p
Singapore	20,989	20,877	23,007	20,670	21,098	22,066	25,791	27,343	30,053	36,440	38,046
Brunei Darussalam	12,971	14,428	18,469	16,839	17,158	18,708	21,863	25,744	29,922	31,582	35,623
Malaysia	3,271	3,491	3,884	3,665	3,884	4,152	4,877	5,281	5,902	6,866	7,992
Thailand	1,845	1,985	1,976	1,840	2,001	2,233	2,501	2,707	3,151	3,726	4,116
Indonesia	528	764	807	775	932	1,100	1,105	1,295	1,636	1,909	2,237
The Philippines	894	1,014	978	916	956	971	1,039	1,158	1,351	1,658	1,844
Viet Nam	361	374	403	415	440	489	555	637	725	833	1,053
Lao PDR	293	322	375	365	369	425	487	539	645	736	918
Cambodia	252	283	288	295	309	349	392	453	515	601	756
Myanmar	135	173	192	136	136	221	191	198	233	333	465
ASEAN	960	1,105	1,159	1,091	1,195	1,327	1,439	1,606	1,895	2,249	2,582

Source: ASEAN Finance and Macroeconomic Surveillance Unit (FMSU) Database (ASEAN Secretariat, 2007a:39 and 2009a:38).

## Appendix 3 - Rate of Economic Growth of ASEAN Countries, 1998-2008

(%)

Country	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Singapore	-1.4	7.2	10.1	-2.4	4.2	3.1	8.8	6.6	7.9	10.1	1.1
Brunei Darussalam	-0.6	3.1	2.9	2.7	3.9	2.9	0.5	0.4	4.4	0.6	0.4
Malaysia	-7.4	6.1	8.9	0.5	5.4	5.8	7.2	5.3	5.8	6.3	4.6
Thailand	-10.5	4.4	4.8	2.2	5.3	7.1	6.3	4.7	5.2	4.9	2.6
Indonesia	-13.1	0.8	5.4	3.6	4.5	4.8	5.0	5.7	5.5	6.3	6.1
The Philippines	-0.6	3.4	4.4	4.5	4.4	3.7	6.4	4.9	5.3	7.4	3.6
Viet Nam	5.8	4.7	6.8	6.9	7.0	7.4	7.8	8.4	8.2	8.5	6.3
Lao PDR	4.0	7.3	5.8	5.7	5.9	5.8	6.9	7.3	8.3	6.0	8.4
Cambodia	5.0	12.6	8.4	5.5	5.2	12.6	10.0	13.6	10.8	10.2	6.0
Myanmar	5.8	10.9	13.7	10.5	5.5	5.1	5.0	4.5	6.9	5.6	4.5
ASEAN	-7.0	3.7	6.3	2.9	5.0	5.4	6.3	5.7	6.0	6.7	4.4

Source: ASEAN FMSU Database (ASEAN Secretariat, 2007a:34-35 and 2009a:34).

#### Appendix 4 - Basic Indicators of ASEAN countries, 2008

Country	Total Land Area (km2)	Total Population (thousands)*	Population Density (persons per km2)*	Annual population growth (%)*
Brunei Darussalam	5,765	397	69	1.8
Cambodia	181,035	14,656	81	2.0
Indonesia	1,860,360	228,523	123	1.3
Lao PDR	236,800	5,763	24	2.8
Malaysia	330,252	27,863	84	2.3
Myanmar	676,577	58,510	86	1.7
Philippines	300,000	90,457	302	2.1
Singapore	707	4,839	6,844	5.5
Thailand	513,120	66,482	130	0.7
Vietnam	331,212	86,160	260	1.2
<b>ASEAN</b>	<b>4,435,827</b>	<b>583,651</b>	<b>132</b>	<b>1.5</b>

Source: ASEAN Secretariat (2009i:1).

## **Appendix 5 – Research Notes**

Documents and interviews would be the effective ways to collect data about the development of the EU policy toward ASEAN. Their functions were mutually complementary one to another in order to collect and verify information as well as to gain crucial findings about the process of EU's policy development. I collected the data in Europe, in South-East Asia and elsewhere in the internet.

With regard to written materials, I gathered official documents and archives from the EU and ASEAN sides, for example, minutes of meetings, agreements and reports. Additionally, I gathered information about the EU and ASEAN from daily journals of the EU, newspapers, political memoirs and the internet.

With regard to interviews, all interviews were conducted between July and August 2009 (in South-East Asia); between July and September 2010 (in South-East Asia); and between March and May 2011 (in Brussels and elsewhere-internet). Then, by internet and telephone between December 2011 and November 2012, I asked the same interviewees for more detailed information. I ensured that, between these time periods, there were no relative inconsistencies in their explanations. The last set of interviews was designed to increase the reliability of the results and categorize factors as significant; considerable; less significant; and insignificant.

I sent a brief explanation of my research topic and a list of questions for interviews to the majority of interviewees. The majority of interviews were conducted in person, three interviews were conducted by e-mail and one interview was conducted by telephone. The last set of interviews was conducted by e-mails, by skype, by telephone and in person. I recorded the majority of the interviews. They were transcribed and noted. Interviews were conducted in English, in Bahasa Indonesian and in Malay. Most interviews lasted between 60 minutes and two hours. The majority of interviewees preferred to remain anonymous. The interviewees responded to the questions freely and honestly.

## **Appendix 6 - Interviews and Seminars**

### **I. Interviews**

#### **I. 1. The EU**

##### **I.1.1. The European Commission**

- Official A, Jakarta, 4 August 2010 and Brussels, 21 March 2011, 9 January and 12 September 2012 (in-person and E-mail).
- Official B, Brussels, 25 March 2011 and 13 June 2012 (in-person and E-mail).
- Official C, Brussels, 31 March 2011 and 3 May 2011 (in-person and E-mail).
- Official D, 7 April 2011 (E-mail).
- Official E, 18 August 2010 and 3 January 2012 (telephone and E-mail).
- Official F, Brussels, 28 March 2011 (in-person).
- Official G, Jakarta, 17 July 2009 (in-person).

##### **I.1.2 The Council of the EU**

- Official A, Brussels, 30 March 2011 and 21 December 2011 (in-person and E-mail).
- Official B, Brussels, 30 March 2011 and 3 February 2012 (in-person and telephone).

##### **I.1.3 The European Parliament**

- Roberto Bendini, Brussels, 28 March 2011 and 3 February 2012 (in-person and telephone).

##### **I.1.4 European member states, Brussels, Jakarta and Edinburgh**

- David Miliband, MP, The UK, Edinburgh, 26 October 2011 (in-person).
- National Official, The UK, 29 July 2010 and 25 January 2012 (in-person and E-mail).
- National Official, The Netherlands, 31 March 2011 and 16 January 2012 (in-person and E-mail).
- National Official, Germany, 28 July 2010 and 22 October 2012 (in-person, telephone and E-mail).

#### **I. 2. ASEAN**

##### **I.2.1. The ASEAN Secretariat**

- Dhannan Sunoto, The ASEAN Secretariat, Jakarta, 26 August 2010 (in-person) and 21 December 2011 (E-mail).
- Official A, The ASEAN Secretariat, Jakarta, 25 August 2010 (in-person).
- Official B, The ASEAN Secretariat, Jakarta, 15 July 2009 (in-person).

##### **I.2.2. ASEAN countries**

- Hamid Awaludin, Indonesia, 31 May 2011 and 7 November 2012 (E-mail and telephone).

- National Official, an ASEAN country, 7 July 2009 (in-person).
- National Official, an ASEAN country, 7 July 2009 and 10 February 2012 (in-person and telephone)

#### I.2.3. ASEAN Member of Parliament

- Charles Santiago, a Member of Parliament in Malaysia for the Democratic Action Party, Kuala Lumpur, 2 February 2012 (Skype).

#### I. 3. European and ASEAN non-state actors

- Pascal Kerneis, Business Europe, Brussels, 23 March 2011 and 31 January 2012 (in-person and telephone).
- Marc Maes, Seattle to Brussels Network, Brussels, 23 March 2011 and 12 January 2012 (in-person and E-mail).
- Kris Vanslambrouck, 11.11.11, Brussels, 23 March 2011 and 24 January 2012 (in-person and E-mail).
- A trade activist, a Southeast Asian NGO, 23 December 2011 (E-mail).
- Business representative A, a chamber of commerce and industry of an ASEAN country, 20 August 2009 (in-person).
- Business representative B, an International Business Association, an ASEAN country, 1 September 2010 (in-person).

#### I.4. WTO

- WTO official, the UK, June 2012 (in-person).

## II. Seminars

Addressed questions to and talked with speakers

#### II.1. A public seminar on EU issues

Official H, the European Commission, the UK, February 2010.

#### II.2. An open seminar on EU issues

A National Official, the UK, the UK, March 2010.

#### II.3. A seminar on international trade issues

A WTO official, the UK, June 2012.

#### II.4. A lecture on Three Boundaries to Loosen in the Global Study of World Politics by Dr. Patrick Jackson from The American University, Edinburgh, 18 June 2012.



## Appendix 7 – An Overview of the EU-ASEAN Inter-regional Cooperation

No	Time	Description
1	1972	The EC and ASEAN built the Special Coordinating Committee of ASEAN (SCCAN) in order to make informal contact between them. The SCCAN established the ABC which consisted of the ASEAN high representatives to the EC in Brussels.
2	7 May 1975	The EC and ASEAN established an ASEAN-EEC Joint Study Group (JSG) in order to explore any possibility of working together.
3	February 1977	ASEAN built relationships with the Council of Ministers and COREPER in the EC.
4	21-22 November 1978	The ASEAN-EC Ministerial Meeting was held in Brussels.
5	7 March 1980	The EC and ASEAN signed the EC-ASEAN Cooperation Agreement in Kuala Lumpur, Malaysia. The Agreement covers economic and development cooperation. The EC and ASEAN established a Joint Cooperation Committee to monitor the implementation of their cooperation agreement.
6	23-24 September 1994	The 11 <sup>th</sup> ASEAN and the EU Ministerial Meeting was held in Karlsruhe. The Commission released its communication paper to Asia with the title “Towards a New Asia Strategy” on 13 July 1994 in order to enhance the EU and Asia relationship. These two events were founded by the EU to recognize the importance of ASEAN as a bridge between Europe and Asia.
7	1996	The first ASEM was held in Bangkok. It began an informal dialogue and built mutual trust amongst heads of state from Europe and East Asia regions. The Commission released its Asia policy to establish ASEAN as an important foundation of ASEM. A detailed chronology of ASEM is provided in the next section.
8	1997 – 2000	There were some problems which affected the EU and ASEAN relationship, such as the issue of human rights in Myanmar, the implementation of a referendum in East Timor, the response of ASEAN member states to the Asian financial crisis and a changing of political regime in Indonesia.
9	January – July 2003	The Commission and ASEAN Ministers met two times in order to consult and form the EU’s strategy paper on ASEAN.
10	2003	The EU released its communication paper on ASEAN, “A New Partnership with South-East Asia”. The EU agreed to support the peace and stability in South-East Asia, to develop its political dialogue with ASEAN and to establish the TREATI to ASEAN.

11	2004 – 2006	After the tsunami disaster hit South-East Asia in 2004, the Commission helped the Government of Indonesia with a total development assistance of € 301,261,588 to cover humanitarian aid, rehabilitation and reconstruction assistance and support for the peace process in Aceh.
12	2005 – 2006	The EU and ASEAN were invited by the Government of Indonesia to monitor the implementation of a peace agreement between the Government of Indonesia and Free Aceh Movement in Aceh.
13	15 March 2007	The EU and ASEAN have agreed that the Nuremberg Declaration would improve their relationship in the 21 <sup>st</sup> century by preparing and developing their action plans in various areas of cooperation, such as political dialogue, economic cooperation and support for ASEAN's regional integration.
14	May 2007	The EU and ASEAN launched the negotiation of an ASEAN-EU FTA in Brunei Darussalam. In 2009, trade negotiations were halted by the EU and ASEAN.
15	22 November 2007	The EU and ASEAN celebrated 30 years of mutual cooperation in Singapore. They agreed to implement action plans for the Nuremberg Declaration on the EU-ASEAN Enhanced Partnership.
16	February 2009	The EU and its member states started to appoint their ambassadors as their representatives to ASEAN.
17	26 May 2010	The EU and ASEAN held the 18 <sup>th</sup> ASEAN and EU Ministerial Meeting which was committed to the negotiation of bilateral free trade agreement between the EU and each of the ASEAN countries with the primary objective to develop an ASEAN-EU FTA.
18	5 May 2011	The 1 <sup>st</sup> ASEAN-EU Business Summit was held in Jakarta, Indonesia.
19	11 April 2012	The 2 <sup>nd</sup> ASEAN-EU Business Summit was held in Phnom Penh, Cambodia.
20	27 April 2012	The EU and ASEAN launched ARISE.

Source: Data compiled from ASEAN Secretariat (2012:1), the European Commission (2009c:6-7) and the Council of the EU (2012b:1).

## Appendix 8 – Contributors of the Multi Donor Fund (MDF) for Aceh and Nias

(USD million)

Contributors	Amount	Percentage
<b>The EU</b>		
European Commission	282.24	40.0
Netherlands	171.60	24.0
UK	76.01	11.0
Sweden	20.72	3.0
Denmark	18.03	2.6
Germany	13.93	2.0
Belgium	11.05	1.6
Finland	10.13	1.5
Ireland	1.20	0.2
<b>Others</b>		
Canada	25.78	3.7
World Bank	25.00	4.0
Norway	19.57	2.8
Asian Development Bank	10.00	1.4
USA	10.00	1.4
New Zealand	8.80	1.2
<b>Total</b>	<b>704.06</b>	<b>100</b>

Source: Data compiled from European Commission (2009b:3) and World Bank (2011:1).

## Appendix 9 - The Chronicle of EAS

No	The Summit	Place & Date	Results
1	The first EAS	Kuala Lumpur, Malaysia, 14/12/2005	* The EAS agreed to work together to tackle terrorism, to promote human rights and democracy, to establish economic integration and cooperation and to build policy coordination on energy and sustainable development (ASEAN Secretariat, 2005b:1-2).
2	The second EAS	Cebu, the Philippines, 15/1/2007	*. The EAS agreed to identify various areas for cooperation, such as poverty, energy resources, environmental protection, education, finance, a comprehensive approach for avian influenza, DDA, regional integration, economic partnership among East Asia countries, a nuclear free zone in the Korea Peninsula, and interfaith dialogues (ASEAN Secretariat, 2007e:1-2).
3	The third EAS	Singapore, 21/11/2007	<p>*. The leaders of the EAS agreed to support peace-talks in view of the nuclear crisis in the Korean peninsula, to encourage national reconciliation in Myanmar and to show their commitment to the conclusion of the WTO Doha round negotiations.</p> <p>*. They agreed to cooperate on the issues of climate change, energy, environmental protection, sustainable development, education and disaster management.</p> <p>*. They accepted the progress report from academics and economists on the Comprehensive Economic Partnership in East Asia (CEPEA). They recognized that the basic pillar of the EAS is the regional economic integration needed to build a regional community and to strengthen the regional architecture in East Asia.</p> <p>*. They agreed to the improvement in ASEAN's role as a driving force in the EAS (ASEAN Secretariat, 2007f:1-2).</p>



4	The fourth EAS	Cha-am, Thailand, 25/10/2009	<p>*. The leaders of the EAS agreed to recognize a new ASEAN Inter-governmental Commission on Human Rights and to reach a comprehensive peace solution for the denuclearization of the Korean peninsula. They encouraged Myanmar's military regime to adopt the seven-step roadmap for democracy and to respect human rights.</p> <p>*. They agreed to support research on CEPEA and in the EAFTA. They supported the connectivity of the East Asian region via the Comprehensive Asia Development Plan (CADP) which was studied by the Economic Research Institute from ASEAN and East Asia (ERIA), the ASEAN Secretariat and the Asian Development Bank.</p> <p>*. They agreed to long-term cooperation on tackling the climate change issue, to the implementation of environmental initiatives and to the use of alternative energy sources. They wanted to create a network of disaster response focal points in East Asia. They developed collective action to fight common pandemics (ASEAN Secretariat, 2009h:1-4).</p>
5	The fifth EAS	Hanoi, Vietnam, 30 October 2010	<p>*. The leaders of the EAS welcomed the interest of Russia and the USA in the Summit. They will invite Russia and the USA to begin their participation in the Summit in November 2011.</p> <p>*. They agreed to work on crucial areas of cooperation, such as energy, finance, pandemic disease prevention, education, disaster management and regional economic integration, based on the CEPEA and the EAFTA. They welcomed the conclusion of the CADP (ASEAN Secretariat, 2010g:1).</p>
6	The sixth EAS	Bali, Indonesia, 19 November 2011	<p>*. The leaders of the EAS adopted the Declaration of the EAS on the Principles for Mutually Beneficial Relations. It is a code of conduct for the relationship between EAS countries to preserve peace and stability in the East Asia region.</p> <p>*. They accepted the USA and Russia as new members of EAS.</p> <p>*. They endorsed the adoption of the ASEAN Framework for Regional Comprehensive Economic Partnership. The Framework aims to broaden and deepen existing FTAs between ASEAN and its external partners. It may support the objective of establishing the EAFTA and the CEPEA.</p> <p>*. They agreed to ratify the Declaration of the EAS on ASEAN Connectivity for the purpose of supporting the connection between ASEAN and EAS countries, to develop public-private partnerships and to promote people-to-people cooperation. They committed to work in other areas of cooperation, such as energy, finance, pandemic disease prevention, education and disaster management (Indonesian Ministry of Foreign Affairs, 2011b:2-9).</p>

## Appendix 10 – The GDP and Population of East Asia Countries, 2008-2009

World Ranking	Country	2008		2009	
		GDP (Millions USD)	Population (Thousands)	GDP (Millions USD)	Population (Thousands)
2	Japan	4,909,272	127,704	5,068,996	127,560
3	China	4,326,187	1,325,640	4,985,461	1,331,460
12	India	1,217,490	1,139,965	1,377,265	1,155,347
14	Australia	1,015,217	21,374	924,843	21,847
15	South Korea	929,121	48,607	832,512	48,747
19	Indonesia	514,389	228,249	540,274	229,964
34	Thailand	260,693	67,386	263,772	67,764
42	Malaysia	194,927	26,993	193,093	27,467
43	Singapore	181,948	4,839	182,232	4,987
48	Philippines	166,909	90,348	161,196	91,983
53	New Zealand	130,693	4,269	126,679	4,315
58	Vietnam	90,705	86,211	97,180	87,279
118	Brunei Darussalam	11,471	397	N/A	399
122	Cambodia	9,574	14,700	10,447	14,805
140	Lao PDR	5,195	6,205	5,939	6,320
	Myanmar	N/A	49,190	N/A	50,019
<b>Total</b>		<b>13,963,737</b>	<b>3,242,077</b>	<b>14,796,889</b>	<b>3,270,263</b>

Source: Data compiled from The World Bank (2009a:1-3 and 2009b:1-3)

## Appendix 11 – FDI of East Asia Countries, 2006-2008

(USD million)

Countries	FDI Inflows			FDI Outflows		
	2006	2007	2008	2006	2007	2008
China	131,769	150,353	186,982	82,301	111,176	136,156
Japan	-6,506	22,549	24,426	50,266	73,549	128,020
India	20,336	25,127	41,554	14,344	17,281	17,685
Australia	27,864	44,330	46,774	23,418	16,806	35,938
South Korea	4,881	2,628	7,603	8,127	15,620	12,795
New Zealand	7,758	2,494	1,979	501	3,234	100
Singapore	27,680	31,550	22,725	13,298	24,458	8,928
Thailand	9,460	11,238	10,091	972	1,857	2,835
Malaysia	6,060	8,401	8,053	6,084	11,087	14,059
Indonesia	4,914	6,928	7,919	2,726	4,675	5,900
Philippines	2,921	2,916	1,520	103	3,536	237
Vietnam	2,400	6,739	8,050	85	150	100
Brunei Darussalam	434	260	239	18	37	34
Cambodia	483	867	815	12	5	24
Myanmar	428	258	283	N/A	N/A	N/A
Lao PDR	187	324	228	N/A	N/A	N/A
<b>Total</b>	<b>254,081</b>	<b>316,962</b>	<b>369,241</b>	<b>202,210</b>	<b>283,471</b>	<b>362,811</b>
<b>World</b>	<b>1,461,074</b>	<b>1,978,838</b>	<b>1,697,353</b>	<b>1,396,916</b>	<b>2,146,522</b>	<b>1,857,734</b>

Source: Data compiled from UNCTAD (2009:244-250), FDI/TNC database, The World Investment Report 2009.

## Appendix 12 – The Chronology of ASEM

No	The Summit	Place & Date	Results
1	The first ASEM Summit	Bangkok, 1-2/3/1996	* Heads of state/government from the EU, ASEAN, China, Japan and South Korea attended this summit. Crucial issues were raised by the EU and Asian countries, as follows: political dialogue, commerce, environmental protection, cultural exchange, scientific collaboration and prevention of and dealing with transnational crime (ASEM, 1996:1).
2	The second ASEM Summit	London, 3-4/4/1998.	*. The critical issue highlighted by the EU at the summit was the matter of human rights violations in Myanmar, Indonesia (East Timor), and China. Asian countries disagreed over the question of human rights issue being raised by the EU member states. Then, Europe and Asian countries agreed to formulate a trade and investment plan to facilitate their commercial relationship, such as the elimination of non-tariff barriers and their commitment on anti-dumping rules. They also committed to support WTO rules and regulations (ASEM, 1998:1).
3	The third ASEM Summit	Seoul, 20–21/10/2000.	*. ASEM released the Seoul Declaration for Peace on the Korea Peninsula (ASEM, 2000a:1).  *. Europe and Asia reached an agreement on the issue of combating drugs circulation, handling migration movements and the non proliferation of weapons of mass destruction. ASEM reached a consensus to raise information and communications technology (ICT) as the main issue when promoting trade activities and investment flows (ASEM, 2000b:1).
4	The fourth ASEM Summit	Copenhagen, 23-24/9/2002.	*. ASEM agreed to support the WTO DDA especially with regard to giving assistance to developing countries in order that they might engage more effectively with the globalization process especially in development sustainability (ASEM, 2002a:1)  *. ASEM agreed to respond together in the face of terrorist action in the USA by declaring, the Declaration on Cooperation against international terrorism (ASEM, 2002b:1).
5	The fifth ASEM Summit	Hanoi, 8-9/10/2004.	*. The EU supported its new member states from Eastern and Southern parts of Europe to become ASEM members, such as Cyprus, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Malta, Poland, Slovakia and Slovenia. ASEAN supported its member states in their efforts to become ASEM members, such as Lao PDR, Cambodia and Myanmar. ASEM agreed to receive Myanmar as a new member of ASEM. However, Myanmar could not be represented by its Head of government in the ASEM Summit because of the issue of human rights violations by the military junta of Myanmar (ASEM, 2004a:1).  *. ASEM (2004b:1) launched the Hanoi Declaration on a Closer ASEM Economic Partnership.



6	The sixth ASEM Summit	Helsinki, 10–11/9/2006	<p>*. ASEM agreed to support the idea of constructive political development in Myanmar which would be supported by ASEAN and the UN.</p> <p>*. ASEM urged developed and developing countries to compromise and to find a way out from a deadlocked situation and to conclude their negotiations in the WTO. The emergence of bilateral and regional trade agreements should support the WTO's multilateral trading system (ASEM, 2006:1)</p>
7	The seventh ASEM Summit	Beijing, 24–25/9/2008.	<p>*. ASEM welcomed Pakistan, Mongolia, Bulgaria, Rumania and the ASEAN Secretariat as new members of this trans-regional cooperation.</p> <p>*. ASEM committed to work together to respond to terrorism activities in their regions.</p> <p>*. ASEM wanted to respond to the global financial crisis in 2008 through collective cooperation. ASEM needed to work together in order to finalize the WTO's DDA. ASEM committed to strengthen its economic relationship through the Hanoi Declaration on a Closer ASEM Economic Partnership. The declaration aimed to improve and promote open trans-regionalism through trade and investment (ASEM, 2008).</p>
8	The eighth ASEM Summit	Brussels, 5–6/10/2010.	<p>*. European and Asian countries accepted new members, such as Australia, New Zealand and Russia.</p> <p>*. ASEM committed to contribute to the improvement of global economic governance. European and Asian countries focused their attention on the process of the reformation of the global financial system.</p> <p>*. ASEM leaders committed to follow up the Beijing Declaration on Sustainable Development. Their aims of sustainable development are based on economic development, social cohesion and environmental protection.</p> <p>*. European and Asian countries committed to improve the effectiveness of the policy-making mechanism in ASEM (2010:1-19).</p>
9	The ninth ASEM Summit	Vientiane, 5-6/11/2012	<p>*. ASEM welcomed Bangladesh, Switzerland and Norway as new members of this organization.</p> <p>*. ASEM committed to stimulate growth and create jobs in Europe and Asia in order to improve the economic situation and support financial stability in two continents.</p> <p>*. ASEM leaders committed to peace and stability in Europe and Asia. They agreed to tackle new political and economic challenges such as climate change, energy insecurity and the question of water scarcity. They would intensify their discussions and coordinate their actions in order to respond to the above challenges and achieve sustainable development (ASEM, 2012).</p>



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